

Advisors Toolkit Factsheet No 2.a

Understanding Fuel Bills and Statements

Suppliers are required to provide their customers with specific information on electricity and gas bills and annual statements.

Credit meter customers should receive a bill every quarter (also available online with paperless billing). The information that appears on a bill includes:

- specific tariff name
- whether the reading/bill is actual or estimated
- details of energy use
- details of how much the energy costs, including unit cost and standing charges applied
- an explanation of how the bill has been calculated
- usage comparison between the current period and the same period a year ago

Bills must also include information advising whether a supplier has a cheaper alternative tariff, a Personal Projection (PP), a Tariff Information Label (TIL) and the meter reference number (MPAN, MPRN, or Supply Number).

Understanding Fuel Bills

Fuel bills may be calculated using an estimated meter reading or a reading provided by a customer or a meter reader. The bill must state clearly whether an actual/customer or estimated reading has been used.

When a bill arrives it is important to check that the fuel supplier has used the correct meter reading when calculating gas or electricity usage. Reading and keeping a record of meter readings on a regular basis will help keep track of how much fuel is being used. It may also prevent a large debit or credit balance building up on a fuel account. It is also important to check that the details on the bill are correct/apply to the right person and address. The information on a bill will include:

- customer name and address
- account number

Personal Projection (PP):

The aim of a Personal Projection is to indicate what the energy bills will cost over the coming year and to show whether a customer is on a supplier's cheapest tariff. If this is not the case, the information will be printed on the bill along with the cheapest alternative. Personal Projections can also be used to see if there is a cheaper tariff with a new energy supplier, but it is worth noting that for a realistic and accurate comparison, actual use in kWh should be used. This information will be on the bill, the annual statement, or the supplier can provide this information.

MPAN/MPRN/Meter Numbers:

Every gas and electricity meter has a unique reference number that effectively links the meter to a specific address.

For electricity meters, this is known as the MPAN (Meter Point Administration Number). The format of a MPAN is standard and consists of 21 digits.

For gas meters it is known as the MPRN (Meter Point Reference Number). The format of a MPRN is also fairly standard and will consist of between six and ten digits. Occasionally, these are also referred to simply as 'meter numbers' or as 'M' or 'S' (supply) numbers. The reference number(s) must be shown on fuel bills and annual statements. It is useful to have the numbers to hand when switching. It may also be worthwhile checking with the appropriate supplier that the MPAN/MPRN number on a fuel bill/statement 'belongs' to the expected address.

If unable to locate/identify a MPAN or MPRN number for a particular address, contact the following:

Electricity:

- for Central & Southern Scotland **0330 101 0300**
- for Northern Scotland **0345 026 2554**

Gas:

- for Scotland **0870 608 1524**

QR Codes: Energy bills now contain a QR (quick response) code. This code carries all the information needed to switch energy supplier with one simple scan.

A QR code is a type of barcode that must be read by a smartphone via a code scanning app.

The QR code will contain all the information needed to compare and switch energy supplier. This includes:

- the plan name
- the plan's rates
- energy consumption (how much gas and/or electricity the household uses)
- annual bill period dates

Additional information will include:

- supplier contact details for bill queries (including Minicom service contact)
- emergency (gas leak, power cut, etc) contact details
- complaints service contact details
- details of additional services and support, for example information about Codes of Practice, Priority Service Register, payment options, etc

See also Factsheet 1.b – Meters and How to Read Them

Paying by Direct Debit/Standing Order

A direct debit is an instruction from a customer to their bank or building society which allows the fuel supplier to collect varying amounts from a customer's bank account. A standing order is similar, but allows only fixed amounts to be collected.

For those with bank accounts this is often the simplest way to pay bills. Most fuel suppliers give discounts for paying by direct debit, as it is easy to set up and payments are automatic and so there is no need to remember when to pay. Direct debit and standing order allow the customer to spread the cost of electricity and gas evenly over 12 months, with the same amount deducted from their bank account every month (payments can be re-assessed up or down during the year if consumption levels change for direct debit. The amount will only change after the supplier gives notice to the customer, or if the customer pays by variable direct debit).

It is important that the monthly payments are sufficient to cover annual consumption, as under-estimated payments will lead to a debt building up on the accounts of those paying by standing order.

Advantages:

- ✓ Budget for bills with equal monthly payments across the year – avoiding larger winter bills
- ✓ Bills will be paid automatically and on time
- ✓ Secure and time efficient – don't need to post cheques
- ✓ Direct debit charges are generally cheaper when compared with standard credit, in fact it is often the cheapest tariff
- ✓ Choice of payment date

Disadvantages:

- The customer will need to check their meter regularly to ensure that their consumption doesn't exceed likely payment over the year - otherwise the customer will have to make up any shortfall at the end of the year or negotiate higher payments for the next year
- There is a risk of bank charges being incurred if there are insufficient funds to cover the agreed payments

This payment method suits those with regular incomes who find monthly budgeting easier and know roughly how much energy they use in a year.

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Quarterly billing

With this system fuel is used and paid for later – in other words the fuel is supplied on credit.

Quarterly billing allows consumers to pay for fuel after every 3 months. A bill is sent for the fuel which has been used, or is estimated to have been used during the period that has just elapsed. This bill must be paid promptly.

A wide variety of payment options are available, including cheque and Switch/debit card.

Advantages:

- ✓ The customer only has to think about bills when they arrive
- ✓ Always have access to fuel, assuming that the bills are paid
- ✓ Only pay for fuel after it has been used

Disadvantages:

- It may be difficult to budget because of the large difference in winter and summer bills
- Problems can arise with estimated bills if the meter is not read

Things to bear in mind:

- ! It is important to make sure that fuel bills are based on actual, rather than estimated, meter readings to ensure that the consumer is paying enough to cover their ongoing usage
- ! Be aware that the price is usually higher with quarterly bills than with direct debit

This payment method suits

- ✓ Households whose income is regular and stable and which easily accommodates fluctuating bills

Prepayment meters

Prepayment meters are special meters which only provide fuel after it is paid for. These meters are operated by tokens, cards or keys that have to be either bought or 'topped up'. A prepayment meter can help prevent any debt building up on an account. It also enables repayment of an outstanding debt.

If a consumer has a fuel debt they should discuss an affordable level of repayment with their supplier before the meter is set. If there is a problem, contact the supplier first. If the issue is not resolved, Citizens Advice can be asked to help. Contact them on **03454 040506**.

There is generally an emergency temporary credit facility on the meter in case the supply runs out.

Advantages:

- ✓ The consumer pays for fuel as it is used
- ✓ Enables consumer to budget effectively to suit their means
- ✓ There are no large bills to worry about
- ✓ Meters can be set to recover debt gradually

Disadvantages:

- The customer may have to visit specific outlets to make payments (though some suppliers can offer the facility to top up at home via the internet)
- Consumers need to understand how standing charges and debts are collected through the meter so that they know the available credit for ongoing use after topping up
- Potential self-disconnection - electricity or gas may cut off because consumers are unable to make payments, although if credit runs out there is limited emergency credit before supply is disconnected. (It's also worth noting that some suppliers offer key-operated prepayment meters with a 'friendly non-disconnect period'. This type of meter won't disconnect a supply at a time when shops are unlikely to be open, for example overnight).

Topping up:

PayPoint (www.paypoint.co.uk) and Payzone (www.payzone.co.uk) payment outlets for topping up are usually located in local newsagents, shops and petrol stations. Cards and keys can also usually be topped up at most Post Offices (www.postoffice.co.uk). Customers should only top up at official outlets.

This method generally suits:

- ✓ People who don't find it difficult to access charging outlets
- ✓ Customers who want to either avoid fuel debt or manage an existing debt

Note:PPMs are covered by Ofgem's default tariff price cap – essentially a safeguard tariff limiting the amount suppliers can charge for a given level of consumption.

Smart Prepayment Meters

For those with smart meters operating in prepayment mode (often referred to as 'smart pay as you go' or smart PAYG) there are additional payment options. These include online top-ups, or paying via phone or app.



Regular Payment Schemes

Consumers may be able to pay for fuel in equal amounts every week, fortnight or month. Payment books are suitable for people without a bank account and can help with budgeting.

Quarterly statements are usually provided and show how much fuel has been used and how much has been paid.

At the end of 12 months, a 'settlement' notification is supplied to the customer. This will show either a credit (and a possible refund), or a shortfall and that money is owed to the supplier.

Advantages:

- ✓ Can help budgeting by spreading out payments evenly across the year

Disadvantages:

- If actual use is less than was estimated, the fuel company has the benefit of the extra money until the end of the twelve months – next year the customer can negotiate a reduced payment amount. Conversely, if actual use is more than estimated, a debt will accrue
- It relies on the customer being able to travel to payment outlets, such as a bank, Post Office or a PayPoint outlet, on a regular basis
- Travel costs need to be taken into consideration and there may be a surcharge to pay for using the payment book, making it more expensive than direct debit.

Not all fuel suppliers offer this form of payment.

This payment method suits:

- ✓ People without a bank account
- ✓ People who find it difficult to budget monthly or quarterly

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Fuel Direct

Income Support/income-based Jobseekers Allowance/income-related Employment, Support Allowance/Pension Credit and Universal Credit:

Fuel Direct (also referred to within the Department for Work and Pensions as 'Third party deductions from benefit') is a payment option available to recipients of the benefits listed above who have an existing fuel debt. The level of debt must be for an amount at least equivalent to the Income Support personal allowance rate for a single person aged 25 or over. <https://www.gov.uk/income-support/income-support-rates>

Fuel Direct enables a direct deduction from benefit for both ongoing consumption and for debt recovery. Please note that Fuel Direct can only be used to repay debt to a customer's current supplier. The standard debt recovery rate is based on 5% of Income Support personal allowance rate for 25+. See above link for current allowance rates.

Safeguards are in place to prevent third party deductions becoming too much of a burden. Accordingly, as well as a fixed standard debt recovery rate, there is a fixed overall maximum debt repayment level equivalent to three arrears deductions.

Universal Credit:

With the exception of Pension Credit, the qualifying benefits for access to Fuel Direct are gradually being withdrawn and are being replaced by Universal Credit (initially for new and first-time claims). Fuel Direct is a payment option available to all Universal Credit recipients, subject to certain conditions – see below.

Fuel Direct will only be applied where the level of debt accrued is equal to 25% of the client's standard allowance.

Fuel Direct debt repayment level is capped at 5% of a client's monthly standard allowance:

Total deduction (consumption plus debt repayment) will not exceed 25% of the standard allowance and any Child element, unless a client consents to higher deductions. A maximum of three third party deductions can apply at any one time and in most instances a maximum of 30% of a client's standard allowance can be used to pay deductions.

Clients in receipt of Universal Credit will not be able to remain on Fuel Direct indefinitely – when the fuel debt is repaid, deductions for ongoing consumption will stop.

Some Universal Credit recipients will be working and earning a wage as well as receiving Universal Credit. In this case, Fuel Direct will only be applied if the client's

earned income is less than the Universal Credit Work Allowance (applicable earnings disregard). A series of monthly assessments by DWP will be used to determine whether this is the case.

Please note that, where appropriate, electricity and Green Deal arrears will be repaid from Fuel Direct on a proportional basis.

It is necessary to secure the agreement of both DWP and the fuel supplier for Fuel Direct. Clients should contact their local DWP for further information.

All new benefit claims are now for Universal Credit. Thereafter there will be a managed migration from claimants on the existing system to Universal Credit. The timetable for managed migration is available at:

http://www.turn2us.org.uk/information_resources/benefits/universal_credit/universal_credit_timetable.aspx



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Struggling with fuel bills/debt

Customers who find themselves struggling to pay fuel bills/arrears should be encouraged to contact their supplier as soon as possible. Contact numbers for the main suppliers are listed below.

ScottishPower	0800 027 0072 (from landline)
British Gas	0333 202 9804 18001 0800 072 8626 - Textphone
SSE	0345 070 7395 0800 622 839 - Careline
EDF Energy	0333 009 6992
E.ON	0345 301 5882
npower	0800 073 3000 or 0330 100 3000 0800 413 016 - Textphone

With regard to arrears, energy suppliers have to follow certain rules when dealing with their customers. They should:

- give advice on how to pay back monies owed
- offer advice on reducing energy use
- offer a payment plan taking into account ability to pay
- set repayment rates taking into account ability to pay

Home Energy Scotland may be able to provide advice and information. Contact them on **0808 808 2282**. They should also be able to provide additional information about other sources of help and support – local authority services, income maximisation/money advice, etc.

The Citizens Advice consumer service advises clients on a range of issues, including domestic energy. To use the Citizens Advice Consumer Service call **03454 040506**