Society of St Vincent de Paul

Submission on the Electricity Market Design Directive

A response to options related to Article 28a Protection from Disconnection

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Introduction 3
Types of disconnection and available information 3
Going without heating: 3
NPA Disconnection 4
Prepayment 'Self-disconnection' 5
Recommendations 6
Preventing and managing arrears: 7
Flexible Payment plans: 7
Voluntary codes: 9
Communication: 10
Awareness of rights with regard to debt management 10
Access to finance, vouchers or subsidies to support the payment of bills 11
Timely meter readings 11
Please provide any further views you have in relation to the transposition of this Directive. 12

Article 28a – Protection from Disconnection[1]

Member State Option:

Member States shall take appropriate measures referred to in paragraph 1 to enable customers to avoid disconnection, which may include:

(a) promoting voluntary codes for suppliers and customers on preventing and managing cases of customers in arrears; those arrangements may concern support for customers in managing their energy use and costs, including flagging unusual high energy spikes or use in winter and summer seasons, offering appropriate flexible payment plans, debt advice measures, self-metering readings, and improved communication with customers and support agencies;

(b) promoting customers' education and awareness of their rights with regard to debt management;

(c) access to finance, vouchers or subsidies to support the payment of bills;

(d) encouraging and facilitating the provision of meter readings every three months, or where relevant for shorter billing periods, where a system of regular self-reading by the final customer has been implemented to meet the obligations of points 2(a) and (b) of Annex I in relation to the frequency of billing and the provision of billing information.'

Background Information:

Vulnerable customers and customers affected by energy poverty should be adequately protected from electricity disconnections and should not be put in a position that forces them to disconnect. Member States should therefore ensure that vulnerable customers and customers affected by energy poverty are fully protected from electricity disconnections, by taking the appropriate measures. What are stakeholders and interested parties' views on the legislative and regulatory measures currently in place to facilitate this in Ireland? Do stakeholders or interested parties consider that there are areas where improvements could be made, and if so, do stakeholders or interested parties have a view that these areas be rectified through legislation, or delegated to the regulatory authority?

[1] Text from **Consultation paper, page 23**

Introduction

The Society of St Vincent de Paul is an all-island voluntary organisation with Members working to support people facing poverty and social exclusion within their communities. Last year we received 250,000 requests for assistance.

Recent years have seen the number of requests we receive for help with energy costs increase significantly, rising 68% in the two years between 2021 and 2023. In 2024 we are seeing levels of requests remain at this elevated level. In addition to distributing new forms of support through vouchers and supplier hardship funds, in 2021 SVP provided €4.2 million in support to households struggling with energy costs and this increased to €7.1 million in 2022.

Many of the people we support with energy costs have received a bill they cannot afford and may not know where to turn, they may have received a notice of disconnection and are trying to find a payment solution, and some may have already been disconnected. We also support many prepay customers who since the onset of the price crisis may be caught in a cycle of topping up, falling into emergency credit and 'self-disconnection', and many may go periods without energy at home.

We welcome the opportunity to present our perspective on options on the transposition of the Electricity Market Design Directive relevant to energy disconnections. We aim to address two forms of disconnection, Non-Payment of Account (NPA) Disconnection for bill-pay customers, and 'self-disconnection', or running out of credit, for prepayment customers – these both fall under a broader understanding of disconnection where people are unable to use energy at home. We make recommendations under each suggested measure.

Types of disconnection and available information

There are different forms of disconnections that households in Ireland can face, and we have different levels of data about each form:

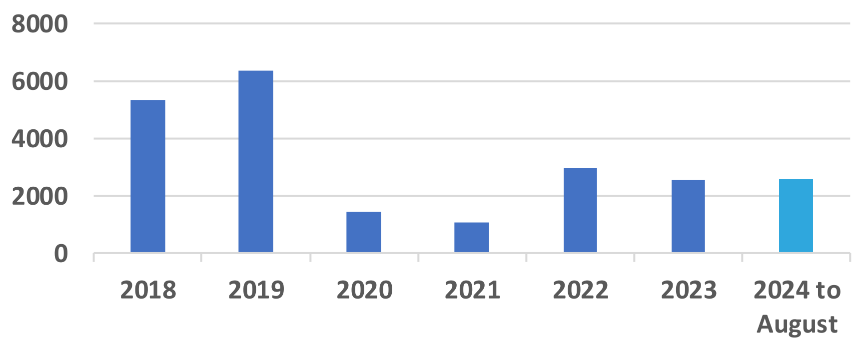
Going without heating:

In the broadest sense we may understand the numbers of people going without energy due to cost to be disconnected. We have annual data from the CSO Survey of Income and Living Conditions on the national level of people who have 'gone without heating due to cost', and while this doesn't encompass all energy services at home, it does allow insight into those who have had to turn off their heating. This data allows a detailed demographic breakdown.

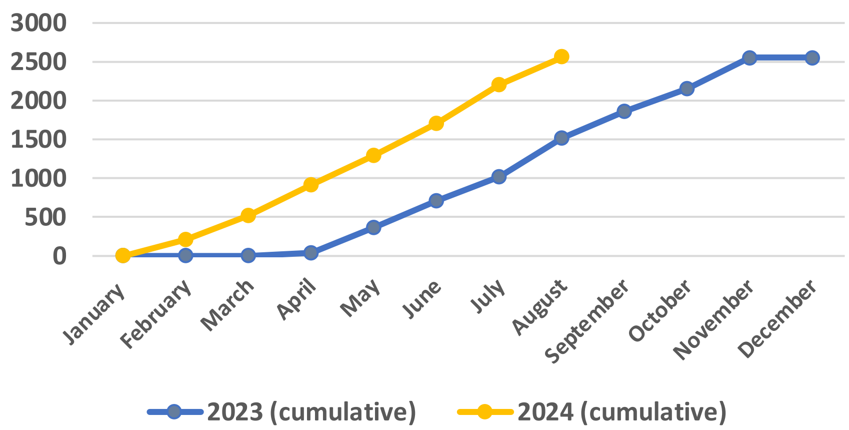
This is the only form of ‘disconnection’ for which there is any demographic information (as far as we are aware), and so it may reveal more about the risk levels for different groups of the following forms of disconnection. In 2023 the national rate for going without heating due to cost is 11%, or more than 1 in 10 people. This has risen from 7% in 2021. We see drastically higher rates for certain groups, including 28% for people unable to work due to health, 26% for unemployed people, 24% for one parent families, 22% for renters. All these groups have seen very significant increases since 2021, showing that whilst the price crisis has impacted everyone, its effects have been concentrated amongst certain groups.[2]

NPA Disconnection

Disconnection due to non-payment of account (NPA Disconnection) is the process by which a supplier may cut off an electricity or gas supply after a regulated process of communication with a customer. This process is governed by the Supplier handbook, as well as a voluntary agreement known as the Energy Engage code, and additional consumer protections the Regulator may introduce such as Disconnection Moratoria. There are additional layers of protection for households who have proactively signed themselves up for the Priority or Special services register. The CRU now releases monthly data about the levels of NPA disconnection, though we do not have further information about the households who are disconnected.



[2] For a more detailed analysis of this data please see page 12 of our response to DECC’s consultation on a Revised Energy Poverty Action Plan, available here: [SVP-Submission-to-EPAP-2024.pdf]



Source: CRU, 2024 [*Arrears and NPA disconnection update August 2024.pdf*]

NPA disconnections have reduced in recent years with a significant drop off in 2020 when the pandemic and first disconnection moratorium was put in place. However we are concerned to see that NPA disconnections for gas and electricity in 2024 are running significantly ahead of 2023. The decision of the CRU to reduce the disconnection moratorium for 2024-25 compared to last winter suggests the use of moratoriums may now revert to pre-pandemic norms. This is very concerning considering the high levels of arrears there are amongst domestic consumers.

Prepayment 'Self-disconnection'

Prepayment customers are a group we are very concerned about and believe need to be a focus of increased consumer protection and regulation. The disconnection process for prepay customers is automatic when the credit or emergency credit facilities run out (known as 'self-disconnection'), and many prepay customers will not notify a supplier when they need assistance. There currently isn't data about the levels of self-disconnection going on, but from our perspective we believe periods without energy may be pervasive amongst people in energy poverty, and particularly post energy-crisis.

While we do not have any national data about prepayment self-disconnections, as discussed above, there are indications that this is a significant problem, demanding further research and action.

1. In early 2023 we reported (in Warm, Safe, Connected?[3]) on research the CRU commissioned in 2022[4] which provided some insight into the difficulties facing prepay customers. We are not aware of more recent versions so include this 2022 analysis here:

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[3] https://www.svp.ie/wp-content/uploads/2023/02/Warm-Safe-Connected-Full-report.pdf
[4] CRU2022986-CRU-Consumer-and-Business-Survey-Report-2022.pdf

In December 2022, the CRU published survey data showing the increasingly precarious position of prepay customers, who are accessing emergency credit at much higher rates than in previous years.
There is significant cause for concern as the survey indicates an increase in prepay customers needing to avail of emergency credit up from 17% in 2020 to 49% in 2022 for electricity, and 25% in 2020 to 66% in 2022 for gas.
Further detail shows that for 5% of electricity customers, and 15% of gas customers, disconnections had lasted more than 24 hours. Data on reasons for not topping up are limited by small sample size but the results indicate for gas customers, the most common reason for disconnection was being short of money to pay for credit.

	2020	**2021**	**2022**
Electricity	17%	37%	49%
Gas	25%	60%	66%

Survey respondents who have used emergency credit (Source here)

1. Research from the Consumer Council in Northern Ireland (where there is a higher proportion of prepay customers) showed the concentration of people in energy poverty amongst prepay customers, and that a third of prepay customers report running out of credit in the last year because they couldn't top up (it should be noted that this research took place in March 2022, so subsequent price rises wouldn't influence these figures).[5]
2. Since late 2022 SVP has operated a voucher scheme to provide an additional method of distributing energy assistance. In 2023 €1.3m worth of energy vouchers were redeemed, and 78% of them were used for prepayment accounts. This illustrates the amount of assistance that is required to support people who are in energy poverty, and may particularly reveal the unmet needs of prepayment customers.

Recommendations

The measures we recommend should be enacted within a new Consumer Protection strategy created by the Regulator, accompanied by an ongoing consumer research programme, and this should be accompanied by enhanced opportunities for dialogue and advocacy. To protect vulnerable customers and households in energy poverty as we continue through the energy transition, DECC need to pilot and roll out community energy advisors.

Below, we provide detailed recommendations related to the suggestions outlined in the Directive.

[5] The Consumer Council (2022) 'A review of Fuel Poverty levels in Northern Ireland' Available at: https://www.consumercouncil.org.uk/sites/default/files/2022-10/Research_Report_Review_of_Fuel_Poverty_Levels_in_NI_1.pdf

Preventing and managing arrears:

We think it is essential that progress is made on preventing the build up of significant arrears. Suppliers and the regulator must take action to intervene as early as possible when there are signs a customer may be unable to meet their costs.

The Regulator must examine options to use available data to understand trends in arrears and target communications to customers/ customer segments when there are signs that a bill will be unexpectedly large. For example, following a period of estimated bills an actual meter reading returns the need for a catch up payment, repayment plans should be offered immediately and clearly. Where there may be insights from smart metering into increased usage or bill spikes, these could also be used as a trigger for targeted supports.

There should be a push to ensure that there are referrals between organisations when a customer presents who is in arrears, including to statutory supports such as social protection.

There is currently a gap here for a community energy advice service that can expertly signpost and inform households about their options across income supports, the energy market (eg. Arrears repayment options or tariff choices), and energy efficiency grants. This advice service would be able to address immediate options when someone needs to repay arrears, as well as providing a pathway to longer term solutions such as retrofitting grant. They could be a trusted advisor for making sure energy use is as efficient as possible in the meantime without damaging wellbeing, and they would be a neutral source of advice and information during the energy transition. We recommend DECC pilots a community energy advice service before a national roll out.

Flexible Payment plans:

There are currently protections in the supplier handbook for households in arrears, including that repayment plans should be affordable for the customer, and that lump sums should be optional.

> *5.3.3 A supplier should take account of the customer's ability to pay when agreeing any repayment arrangement, by credit or prepayment meter and confirm with the customer that arrangements are manageable.*
> *5.3.49 Suppliers are required to implement a clear, transparent and fair policy to ensure that the customer's ability to pay is taken into account when setting debt payment arrangements, including the debt recovery rate for PAYG meters.*

And

5.3.5d. d. Repayment arrangements based on the customer's ability to pay I. Reasonable and affordable debt recovery arrangements which take into account the customer's circumstances; II. Upfront payments are presented as an option not as an obligation.

Further temporary protections from the regulator stipulate there should be a timeline of at least 18 months offered for repayment, though we note this has recently decreased from 24 months.

We have serious concerns about how consistently 'ability to pay' is assessed across the market. It is essential there is action from the regulator to understand and oversee the payment plans that are being agreed – how long they are, the level of payments being agreed and on what basis, and the number and level of lump sum payments being made (and the circumstances under which these are agreed). Given the numbers of people experiencing energy deprivation, the level of arrears in the market, and the ongoing high level of energy costs, this should be a top consumer protection priority for the Regulator.

We recommend DECC should require CRU to carry out research into the challenges facing customers in arrears, including the repayment practices being used, and to introduce further consumer protections to ensure every household is guaranteed affordable and tailored repayment arrangements based on their ability to pay. Practices such as negotiating high repayment amounts or lump sum payments for those in energy arrears should be assessed by the CRU and practices – good and bad – should be used to develop new minimum standards for the affordability checks we expect from suppliers. New requirements should then be incorporated into the supplier handbook.

A similar assessment should take place into the challenges facing prepay customers. In GB Ofgem introduced further requirements in relation to proactively supporting prepay customers who are rationing and self-disconnecting[6] and qualitative research has recently been undertaken to understand the challenges they face.[7] Our experience is that often difficulties prepay customers may have topping up are exacerbated by inflexible arrears repayments on the meter, and for gas customers the build up of standing charge debt whilst they are not using gas over the summer. Often people don't understand the balance of where their credit top up has gone.

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[6] https://www.ofgem.gov.uk/publications/more-help-prepayment-customers-and-those-struggling-bills
[7] https://www.ofgem.gov.uk/publications/prepayment-meter-qualitative-research-september-2023

We recommend that there needs to be greater information available to customers about the help they can expect from their supplier if they are struggling to remain in credit (for example, amending arrears repayments, provision of credits).

At a minimum, we also recommend the Regulator needs to lead a programme of work to ascertain:

- Demographic information about prepayment households, to identify who is over or under-represented in this group
- The amount of debt and levels of debt repayment on meters
- The numbers of 'self-disconnections' taking place
- Information about energy rationing, which might be derived from comparing energy use amongst similar household types/housing circumstances.
- A qualitative examination of the how prepayment customers have experienced and coped with the price crisis.

The €10 million fund pledged in the current Energy Poverty Action Plan, which was to be used to support prepay customers, should be used by DECC to fund a programme of work to specifically support prepay customers, including research into the challenges prepay customers face and how they can better be supported (through regulation, supplier practices, and other support services), and direct funding of support such as voucher schemes or credit waivers.

Voluntary codes:

We believe there may be a role for further voluntary codes - to pave the way for regulation - into targeting supports for people who are not protected under the Priority Service Register (ie. under Vulnerable Customer legislation), but fall under a wider understanding of vulnerability – people who are on a low and fixed income, people who may have a disability, and people in vulnerable circumstances such as following a bereavement or having young children at home (this is not an exhaustive list).

These voluntary codes could focus on actions to a. identify these customers b. clearly communicate support options c. achieve positive outcomes in debt and cost management for these households. We point to the Vulnerability Commitment organised by Energy UK, covering 95% of homes, as an example of this.[8] These voluntary codes could be developed in partnership with DECC, the CRU, suppliers, and key stakeholders, as well as incorporating the voices and perspectives of households themselves.

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[8] Vulnerability Commitment - Energy UK

Communication:

The Regulator should gather learning from recent years on communicating with customers in arrears, and alongside stakeholders, use this require improved communications market wide. From our perspective, a key lesson is that the requirement for suppliers to provide affordable repayment plans, and lump sums only being an option not an obligation, should be a vital piece of information communicated clearly and immediately to customers in debt.

Often communications from suppliers can be difficult to understand, and letting people know their rights and clearly flagging offers of support would beneficial to all parties. Research SVP commissioned last year in a report 'Keeping the Lights On: Understanding pathways through energy hardship and support' used focus groups to review two examples of supplier communications and provided useful feedback and learning about what is actually picked up by people reading a letter – we would strongly support further research of this type.[9]

For prepay customers who are running out of credit, we believe there needs to be further work coordinated by the Regulator to ensure that households know they can request assistance from their supplier, be provided with additional credits and flexibilities, and signposted to further sources of support. There also needs to be a requirement for suppliers to 'check back' with prepay customers who have arrears to ensure that the meter is still suitable for them, and whether they require additional assistance or amended repayment arrangements. This would enhance the customer-supplier relationship for a group who may not consider seeking help from their supplier but may be regularly facing self-disconnection.

Awareness of rights with regard to debt management

As above, there needs to be further action to ensure households know their rights regarding debt management. This would encourage engagement from households at an early stage and could help to remove the 'fear of the unknown' that may prevent households engaging with their supplier over significant debts. This could be linked in with the exercise of learning form supplier communications over recent years. Likewise for prepay customers, there needs to be enhanced communication from suppliers to ensure that initial debt repayments are still suitable and appropriate.

[9] Keeping-the-Lights-On.pdf

Access to finance, vouchers or subsidies to support the payment of bills

Financial support is an essential part of preventing disconnection and supporting households in arrears or struggling to keep up with their energy costs. There are currently different options available to different households, including:

- Some suppliers have hardship funds where they can offer assistance or reduce debts for customers. The operation of these is down to the supplier.
- Supports available through the social protection system, including Additional Needs Payments. There is also a payment called the 'Heating Supplement', but this is currently paid out to very few households[10].
- Voluntary assistance, such as the assistance provided by SVP and the voucher scheme we currently operate, and supports provided by and through (for example) Alone and MABs.

These sources currently provide an essential network of supports to households facing difficulty. But it is important to point out that there is a gap here for an advice service that can signpost to and be aware of these different sources of support – households facing large arrears and the possibility of disconnection are likely to be unaware of all these options and what may be currently available, and navigating different options would be a significant undertaking.

Whilst recent years have seen universal electricity credits applied to accounts in addition to lump sum social welfare payments for households on the Fuel Allowance, once these temporary measures cease it is vital that the value of the Fuel Allowance is permanently restored to take into account the new elevated level of energy costs.

Timely meter readings

We support all actions to ensure there are timely meter readings, and that when there are estimated bills accurate readings are sought as quickly as possible. Catch up bills of significant value should be accompanied by information on the options available to repay the amount through a repayment plan, and the relevant rights under the supplier handbook.

[10] Fuel Poverty – Wednesday, 9 Oct 2024 – Parliamentary Questions (33rd Dáil) – Houses of the Oireachtas

Please provide any further views you have in relation to the transposition of this Directive.

This Directive contains many Articles pertinent to domestic energy consumers, and in particularly many options that may have direct consequences – including significant opportunities to benefit - for households in energy poverty and households in vulnerable circumstances.

To enhance capacity for consumer advocacy and dialogue on issues such as this, which is essential to a fair and successful energy transition, we recommend:

- Including greater representation on the Energy Poverty Steering Group
- Creating a statutory consumer advocate for the energy sector to represent the needs of households in the energy transition
- Devising a consumer protection strategy coordinated by the regulator, including a programme of research into the impacts and lessons from the energy price crisis and upcoming opportunities and challenges.
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Further information on these recommendations can be found in our reports:

- 'Warm, Safe, Connected? Priorities to protect households in energy poverty', March 2023, available here: https://www.svp.ie/wp-content/uploads/2023/02/Warm-Safe-Connected-Full-report.pdf
- Submission to the Revised Energy Poverty Action Plan, May 2024. Available here: SVP-Submission-to-EPAP-2024.pdf