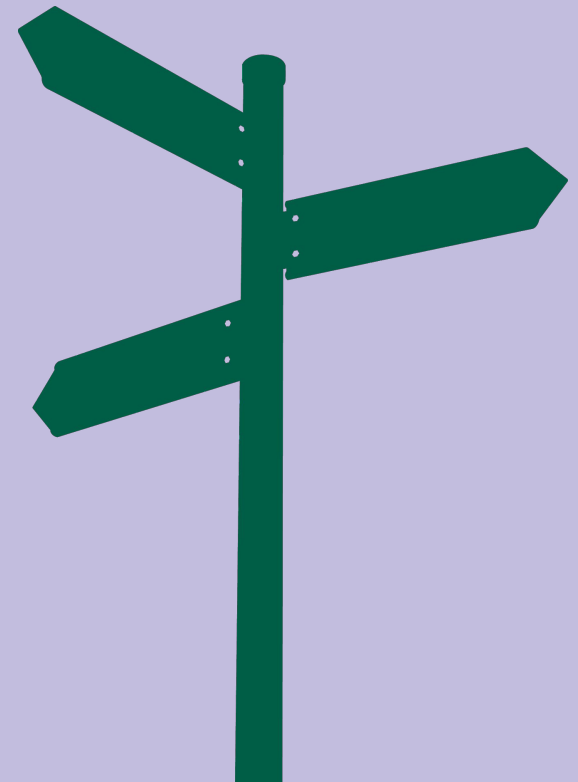


The end of the beginning

How the retail energy market needs to support people in the next phase of COVID-19

**citizens
advice**



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Introduction

The COVID-19 pandemic has significantly affected all areas of society, including the energy sector, since it began.

At Citizens Advice we have supported people through the lockdown period, while working in new ways - much as energy suppliers have. This has been a deeply challenging time, and many energy companies have worked hard to support their customers through it.

As we transition out of lockdown, and into a period of living with COVID-19 for many months to come, this report looks at the energy consumer experience so far and how we think people need to be supported going forward.

Our top priority at the start of the pandemic was keeping people with prepay meters on supply - even if they need to self-isolate or shield, and can't top up at the shop as normal.



In March, weekly visits to our webpage on help to top up your prepay meter increased by 27 times.¹

We also knew that many people would be financially affected and struggle to pay their bills. We worked closely with government, Ofgem and Energy UK to develop the voluntary energy supplier agreement that has supported consumers, and will remain important in the months to come. We provided additional guidance through our good practice guide, which we've updated regularly as the pandemic progressed.²

In recent weeks the 3 main COVID-19 related energy issues people contacted our consumer service helpline about were:

- ① Affordability of energy, for example as a result of reduced income through unemployment
- ② Metering issues, for example faulty meters which can't be fixed during lockdown, or overdue meter readings
- ③ Not being able to get through to their supplier, as companies reduce service availability to cope with staff shortages and the transition to home working

As we transition into the next phase of the pandemic, energy suppliers must return to metering home visits in a way that is sensitive to people's needs. And they must deal with the backlog of less urgent issues that have built up in a timely way.

But financial difficulties - faced by customers and suppliers alike - will be the longest-lasting issue to tackle. The sector cannot solve this issue alone. Government must support people who need help to pay their bills through the furlough scheme and benefits system.³

Suppliers also have a vital role in helping struggling customers though; by engaging with them, offering support and giving them time to repay debts. This must be backed by new Ofgem rules to protect people from disconnection and poor debt practices as soon as possible.

The BEIS agreement has helped many people

The voluntary agreement between BEIS and energy suppliers has provided real, additional support during the COVID-19 pandemic. All domestic energy suppliers signed up to the agreement⁴, which had three main aims:

- Identification of customers in vulnerable circumstances - with particular regard to COVID-19
- Repayable financial help for customers who struggle to pay for energy, for example offering payment holidays
- Practical and financial support for customers with prepayment meters (PPMs) to stay on supply.

The agreement is principles-based, and suppliers can achieve the outcomes in different ways, according to the needs of their customers.

Although the agreement is not enforceable, it has been monitored closely by Ofgem and widely applied by suppliers. It provides support that will remain valuable in the coming months as people continue to be financially affected by COVID-19, with some being asked to self-isolate.

Before it is removed, Ofgem and the government need to move forward with changes that provide enduring protection.



The BEIS agreement should remain in place as long as necessary to protect customers during the pandemic

Example customer journey with the additional support:

Donald lives alone. He doesn't have much of a support network of friends and family nearby.

He pays for energy through a PPM, topping up his prepay card regularly at a local newsagents.

In March, he received a letter advising him to shield for at least 12 weeks during the pandemic.

He was running low on credit on his PPM when he received the letter. He was worried about running out, so he called his energy supplier.

His supplier reassured him that they'd be able to support him and sent him out a preloaded top up card, to tide him over if he ran out of energy.

His supplier suggested he use the NHS volunteer scheme to top up his card up. They spoke to him about the benefits of having a smart meter installed in future, to make topping up easier.

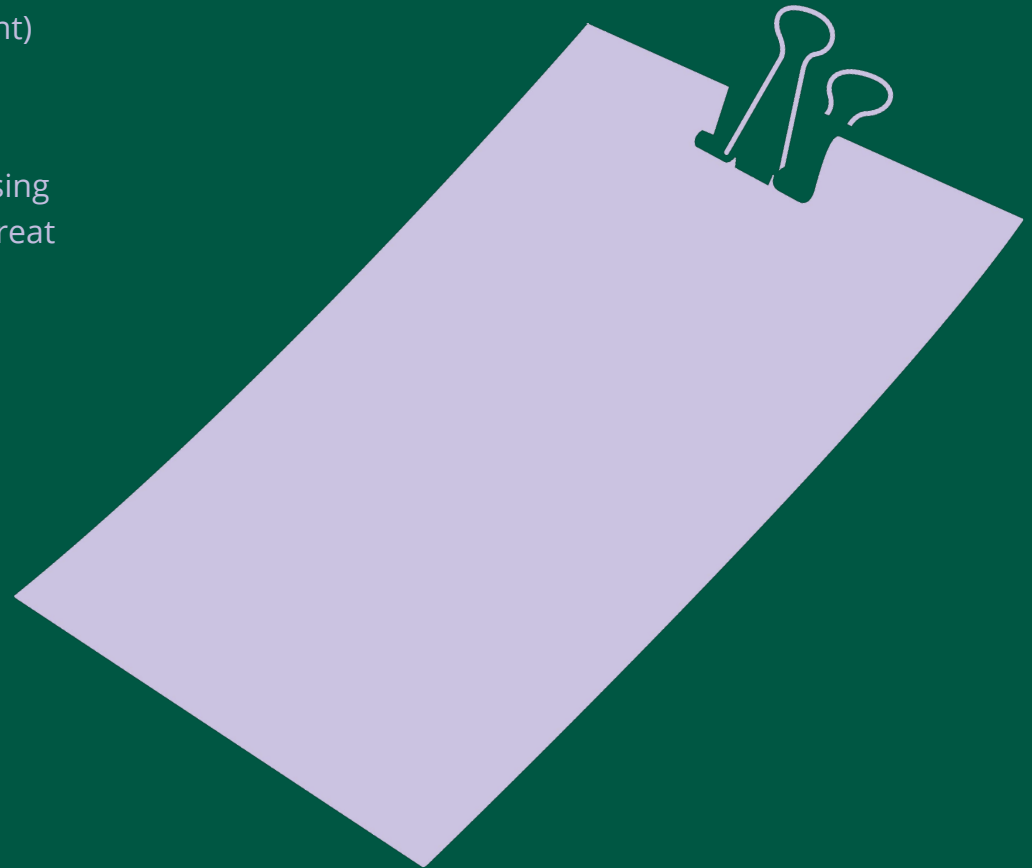
Our approach

This report refers to research including:

- Online survey of 1,020 prepay customers by Populus Data Solutions between 24th and 28th April 2020
- Online survey of 2,009 UK adults (of which 259 used prepayment) by Opinium Research, between 13th and 19th May 2020
- Research by Accent (co-commissioned with Ofgem) collected using a mixed-mode survey of 3,053 domestic energy bill-payers in Great Britain - 2,903 through an online panel and 150 CATI interviews between 1 and 24 April 2020.

We used this data along with insights from contacts to local Citizens Advice, our consumer service helpline, and the **Extra Help Unit**, a specialist support service for consumers in vulnerable circumstances or who are at risk of disconnection. All names used in case studies have been changed.

To find more detailed guidance on how companies should support customers during the pandemic, please refer to our regularly updated **Good Practice Guide**.



Prepay users are at risk

Self-disconnection (losing energy supply after not topping up a prepayment meter) is a particular concern during COVID-19 as we know it can exacerbate physical and mental health problems.⁵ 35% of respondents in our polling of prepayment meter (PPM) customers had self-disconnected in the previous year.

Frequency of self-disconnection in previous year





This is a higher incidence of disconnection than found in past surveys, although these have used different approaches.⁶

We also asked the respondents who'd disconnected about the longest they were off supply in the past year:

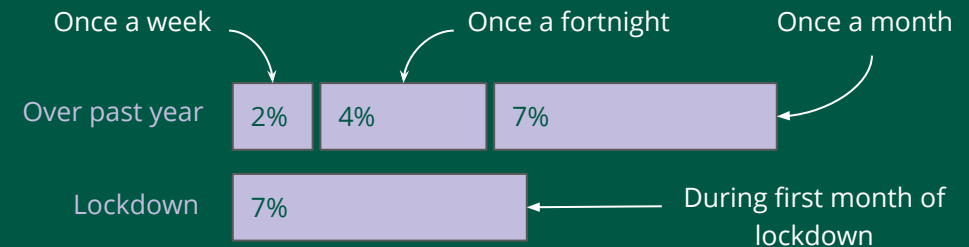
- 43% had disconnected for an hour or less
- Around 30% lasted for longer than 3 hours
- 7% of people disconnected for over 24 hours

PPM users have continued to disconnect during lockdown.

 7% of respondents in our PPM polling had disconnected during the first month of lockdown (by late April).


 35% of these had disconnected for more than 3 hours.

No seasonal data on self-disconnection is available to compare this rate of disconnection, but based on respondents' normal disconnection frequency, it may be lower than normal.



Other surveys have suggested a higher rate of disconnection since lockdown:

- Research by Accent for Citizens Advice/Ofgem in late April found that 15% of PPM respondents had self-disconnected for affordability reasons alone
- Research by Opinium for Citizens Advice in mid-May found 47% of PPM respondents had disconnected

 Ofgem should take forward enduring requirements for suppliers to identify and support customers who are self-disconnecting¹⁰

People who can't afford to top up need more help


People generally disconnect because of either:


- Practical factors - like not realising the meter was low or forgetting to top up
- Financial factors - like not having enough money to top up, or using more energy

Over the past year most disconnections were related to practical factors, but **29% were the result of not having enough money**.

During the COVID-19 lockdown, a smaller proportion of disconnections were due to practical factors. Some reasons - like not being at home when the meter ran out - are likely to have declined due to the requirements to stay at home. This could help explain any decrease in overall disconnection rates.


Some practical factors were not lower than before lockdown:


 11% of disconnections were due to people being unable to top up due to self-isolating


 10% were due to the top-up shop being closed.

Affordability reasons made up a greater proportion of disconnections during lockdown. **44% of disconnections during lockdown were due to insufficient money**, with two thirds of these due to reduced income as a result of COVID-19.

Some people are more likely to self-disconnect than others, and there is a clear link to income:


 57% of respondents with children under 5 had self-disconnected over the past year


 Respondents with mental and physical health problems disconnected at the same rate as others

 21% of respondents with incomes below £20,000 had disconnected during the lockdown.

The financial support in the BEIS agreement is helpful, but some households will struggle to repay. Grants are also available for PPM users who seek help - for example, through the Fuel Bank which supports food bank clients.

Ofgem's Energy Redress Fund also recently announced £10m in grants to support PPM customers affected by COVID-19.⁷ However, suppliers could do more to provide non-repayable support to customers.

 In 2018/19, just 7% of a maximum £5m in assistance was provided through Warm Home Discount (WHD)⁸

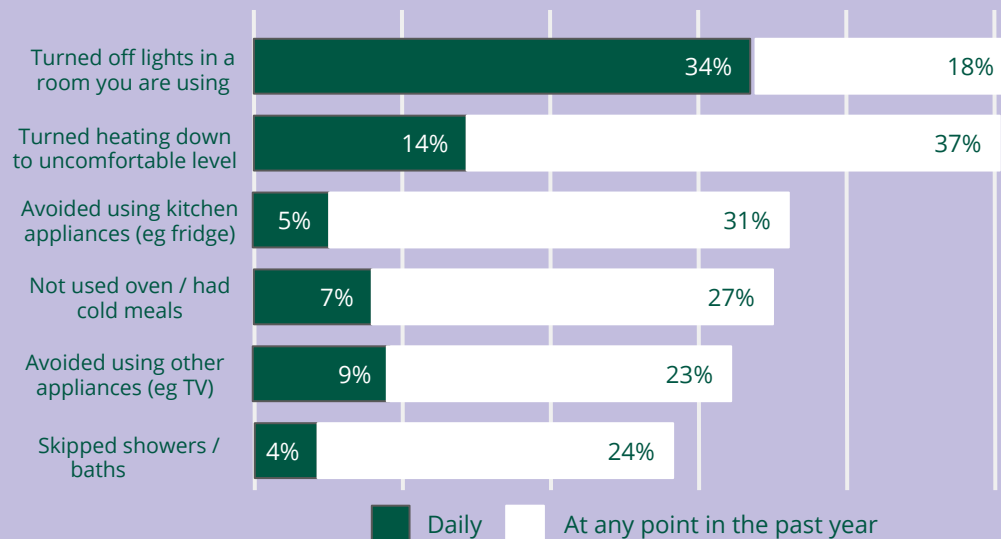
 Suppliers should maximise support for PPM customers through WHD industry initiatives

Some people are using too little energy

Self rationing is when people excessively limit their energy use, including doing so to keep their PPM on supply.

Research by Christians Against Poverty (CAP) identified 5 key rationing activities, which we asked about in our PPM polling.⁹

Regularity of self-rationing in order to stay on supply in previous year



- Around half of respondents were carrying out one of these actions on a weekly basis
- 1 in 5 took three or more of these actions on a weekly basis. CAP defined this as severe rationing
- 1 in 10 took three or more actions on a daily basis

While actions to save energy can be a positive way of saving money or reducing climate impacts, this is not the case for many PPM users who ration their energy.

- 51% said they'd felt cold in their house
- 35% felt stressed and anxious as a result
- 23% felt embarrassed or ashamed

40% of customers said self-rationing had a negative overall impact on the health and wellbeing of their household.

Seasonal self-rationing data isn't available, but the frequency of self-rationing activities reported by respondents suggests that it has not decreased during lockdown.

- ⊖ 38% had turned their heating down to uncomfortable levels in the first month of lockdown - the same as had done so at least monthly over the past year.
- ⤴ 16% had gone without hot water at least monthly over the past year, but 23% had done so during the first month of lockdown.

This suggests that while some are still not able to afford enough energy to be comfortable. This is likely to affect more people if financial situations worsen and as the weather gets colder in winter.




- Ofgem should take forward enduring requirements for suppliers to identify and support customers who are self-rationing on an enduring basis¹⁰

Many people don't expect help from suppliers


The additional support given to customers during the pandemic has been valuable.

However, we know that many customers don't contact their supplier for help if they don't know what support is on offer.



Our PPM survey found that of respondents who had self-disconnected in the past year:

-  5% contacted their supplier and got practical support
-  4% contacted their supplier and got financial support
-  4% contacted their supplier and got no support

Similarly, our research on customers who are behind on bills has shown that they may not be aware of support from their supplier, and may not expect a sympathetic response.¹¹

 "Sometimes they can't help you. Sometimes they're just like, 'Where's the money?'" ¹¹

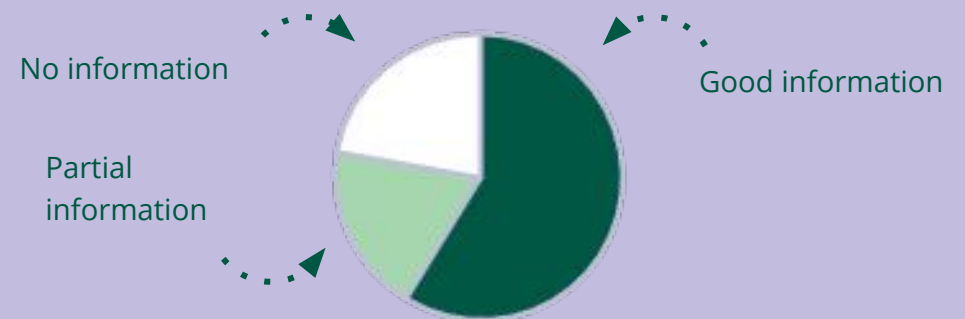
In order to overcome these barriers to customers getting support, suppliers need to:

-  provide information for customers looking for help
-  proactively contact customers who need help most

Availability of information

Most suppliers have provided some information on their websites regarding the support that is available. However, some smaller and medium suppliers have provided no - or only partial - additional information online to customers regarding the sort of support that is available.¹²

Our assessment of domestic supplier's COVID-19 web information





Proactive provision of information

During the early stages of the crisis, energy suppliers had to adapt their operations to home working and faced staffing challenges due to school closures, plus staff self-isolating and shielding. In these circumstances, proactive offers of support were challenging. Suppliers have told us they targeted their communications at the most at risk customers.


Suppliers need to proactively offer support

As a result of limited proactive engagement, most consumers are not aware of the extra support that is available from energy suppliers. Polling by Opinium in mid-May found that:

 11% of respondents said their gas or electricity supplier had offered to help or support them

 35% recalled their bank offering help or support with their mortgage, credit card or current account.

The polling showed some evidence that awareness of support was higher among some groups who might need it most:

 20% of respondents who had lost more than 60% of their household income

 17% of those in receipt of benefits and tax credits

 15% of those who are at increased risk from COVID-19

In our polling of PPM users, 60% of respondents did not recall being given information or support.

As customer service operations normalise and lockdown is eased, energy suppliers should now be able to do more to proactively engage customers - particularly those who continue to be affected by shielding, self-isolation and job losses or extended furlough.

Proactive support is particularly important for PPM users.

Ofgem has proposed that suppliers identify if customers are self-disconnecting and self-rationing and offer support to vulnerable customers, including discretionary credit.¹⁰

Respondents to our PPM survey were strongly supportive of suppliers monitoring data and offering a range of support.



7 in 10 respondents supported monitoring to:


- Check they were ok
- Offer financial or practical support
- Provide energy saving advice
- Provide information about grants/schemes

Suppliers also need to know who needs extra support most. They should have established processes to identify customers in vulnerable circumstances and offer them proactive support. However, the crisis has demonstrated that better data sharing on vulnerability between sectors, and with government, could improve delivery of support.

- Suppliers should proactively engage with consumers to let them know about extra support
- Government should set up a taskforce to improve collection and sharing of data on vulnerability

Many people will need to make repayments


Many people are struggling with their bills as a result of COVID-19. Polling by Opinium for Citizens Advice found that:


 4% of respondents had already fallen behind on their energy bills as a result of COVID-19


 A further 7% expect to fall behind in future

Additional support for customers who are struggling - like payment holidays and discretionary credit - has been vital in supporting many people. This support will continue to be needed in the coming months - including by those who become unemployed as the job retention scheme is wound down and those who have to shield.


However in energy, as in other sectors, the support on offer is mostly in the form of deferring costs to a later point. People will need a sustainable way to repay this support. This means:


 monitoring payments and getting in touch before debts build up

 offering repayment plans that are based on their ability to pay

 reviewing existing payment plans - given that many people may find their circumstances change

There is evidence that some suppliers have not always set repayment plans fairly - and that this can have severe impacts.

 Small and medium suppliers collect debt from credit customers at twice the rate of larger suppliers¹³


 63% of respondents repaying a debt through their PPM in the previous year had self-disconnected at least once, compared to 28% without a debt


Ofgem has already set out that more detail on setting plans is required in its rulebook, to improve consumer protection.¹⁰

Our previous research has shown some people will struggle to engage with debt communications.¹¹ It can be a natural response for people to bury their head in the sand.

Suppliers should make it easy for people to see a way out, with communications that are engaging and supportive. Last year we held a hack day which looked at how this could be done effectively.¹⁴

Suppliers should also signpost to independent debt advice in order to help customers engage with their debt problems.

 Suppliers should ensure their debt communications are clear, engaging and offer a package of support

 Ofgem should take forward proposals to strengthen its ability to pay rules for repayment plans¹⁰

For some, debt will be much harder to manage

If customers don't engage, suppliers may seek to use enforcement action to collect debt via a prepayment meter.

Under the BEIS agreement, disconnection for debt (which was already extremely rare) is prohibited and extra consideration should be given before collecting debt using prepayment. There must be no cliff edge for people when these protections end.

It's vital that there is no return to widespread use of disconnection for debt. PPMs should only be used where they are safe and practicable for people. This should include where smart meters are remotely switched to prepay mode.



The rate of remote mode switching for debt increased from 21,000 in 2017 to 70,000 in 2018.¹³

Installation of PPMs under warrant should only be used where other routes have been exhausted. There are Ofgem rules that cap the costs of these installations - and prohibit them entirely where the installation would be traumatic. However, these rules are currently due to expire in December 2020.¹⁵



Suppliers should not increase their use of disconnection for debt once the BEIS agreement ends



Ofgem should extend PPM warrant protections and monitor the use of remote mode switching

As we set out in our recent report - **Near the Cliff Edge** - some people will face debts across their essential services as a result of COVID-19.



4% of respondents to polling by Opinium have already fallen behind on 3 or more household bills.

These customers will need particular support. Repeated assessments for debt repayments in each sector will lead to stress for customers and duplication of effort for companies. This should be avoided if possible.

For some people, the debts they build up during this period will be unmanageable. In the absence of any further support, they will need to use existing insolvency solutions, like bankruptcy or an Individual Voluntary Agreement (IVA).

These solutions will unfairly impact people who have built up debts due to COVID-19, with heavy impacts on their future prospects. They also mean that companies will get back little of the money they are owed, further damaging their recovery.



Government, regulators and industry should aim for customers to need a single ability to pay conversation



Government should design new solutions for those with unmanageable debts as a result of COVID-19


Finding a new normal for customer service


During the pandemic, many suppliers restricted their services to prioritise emergencies and customers in vulnerable circumstances.

This was the right thing to do with limited resource in order to keep people on supply, but it has had some negative impacts.

For example, some people with urgent cases didn't understand their case to be an emergency and did not get help they needed. Suppliers should learn these lessons if they need to reimpose restricted services in future.

Ofgem has now set out that it expects suppliers to offer a good quality of service.¹⁶ Non-urgent queries that have built up during this period need to be dealt with. Polling for Ofgem¹⁷ showed that in the first 3 weeks of lockdown alone:


 4% of respondents had contacted their supplier by phone and couldn't get through

 3% of respondents had contacted their supplier by email/online and not heard back

People should not be penalised if they haven't been able to get through to their supplier. Some customers will need particular support as they re-engage, including those who have suffered bereavement or ill health due to COVID-19.

The COVID-19 crisis has meant many customers have used their supplier's online and app services for the first time. Some will continue to use these services, for at least some contacts.

However, some people will continue to rely on telephone services as the main way to contact their supplier. Energy companies should not use this crisis to push customers into using channels they would prefer not to - for example, by making telephone contact details difficult to find - simply because they are cheaper to run.

 2 in 5 people prefer to contact their supplier by telephone about billing or supply problems.¹⁸

Energy UK's vulnerability commission recommended suppliers take an omnichannel approach, including telephone.¹⁹

Some suppliers who struggle financially as a result of the crisis may be unable to provide an adequate service. Ofgem should take action where necessary to protect customers.

- Suppliers should provide a full range of channels and deal sensitively with the backlog of non-urgent cases
- Suppliers should commit to inclusive services by signing up to Energy UK's vulnerability commitment
- Ofgem should take forward proposals for additional ongoing requirements on suppliers to ensure adequate service levels²⁰

Smart meter installations must resume safely

Energy suppliers need to continue to take particular care where face to face contact is required.

This includes smart meter installations, meter replacements and meter readings. People contacting the consumer service helpline have had mixed views on face to face appointments.



Jolana is shielding due to a health condition, but her meter is outside and she'd feel comfortable with her supplier rebooking her meter replacement now.

The increase in face to face appointments as lockdown is eased needs to be handled sensitively. People will want information about the precautions suppliers are taking during appointments. Customers who are shielding or otherwise medically vulnerable may have additional needs - and some people may not want an appointment to take place.

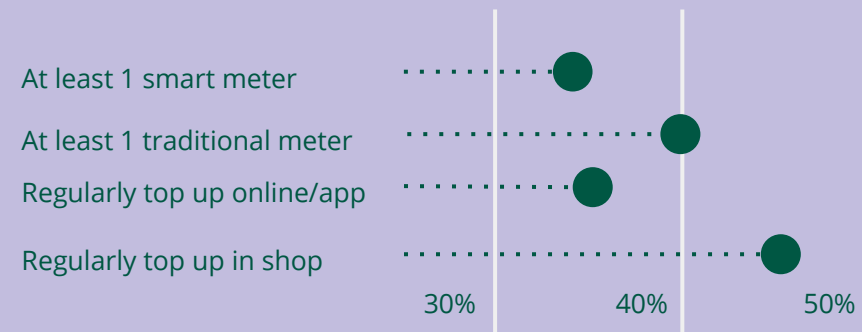


Oisin is unable to access his meter and normally has visits from his supplier for meter readings. He's worried about someone coming into his home without taking proper precautions.

The longer time required for home visits to be done safely may mean fewer are available. People who are keen for an appointment but unable to get one will need clear information about why this is and when it can be rebooked.

Customers with traditional PPMs who are at risk during COVID-19 may benefit from a smart meter being installed. This is because these meters enable them to top up online or via app without going to a shop - including if they need to isolate or shield.

Our PPM polling showed that customers were less likely to have disconnected over the past year with these in place.



These meters provide more options for extra support. Suppliers can add credit remotely or switch the customer's meter to credit mode.

- Suppliers should manage the return to face to face contacts sensitively, taking account of people's needs.
- Suppliers should prioritise smart meter installations for at risk PPM customers, where possible.

Summary: Actions to support energy consumers

We have identified key actions for suppliers, Ofgem and government to protect consumers during the pandemic.

In the immediate term:

- Government should continue to support people through the furlough scheme and adjustments to benefits
- The BEIS agreement should remain in place as long as necessary to protect customers during the pandemic
- Suppliers should maximise support for PPM customers through Warm Home Discount industry initiatives
- Suppliers should make sure customers know about the extra support available under the BEIS agreement
- Suppliers should provide a full range of channels and deal sensitively with the backlog of non-urgent cases
- Suppliers should manage the return to face to face contacts sensitively, taking account of people's needs

In the short term:

- Ofgem should take forward enduring requirements for suppliers to identify and support customers who are self-disconnecting and self-rationing¹⁰
- Ofgem should take forward proposals to strengthen its ability to pay rules for repayment plans¹⁰

- Ofgem should take forward proposals for additional ongoing requirements on suppliers to ensure adequate service levels²⁰
- Suppliers should prioritise smart meter installations for at risk PPM customers, where possible.

In the medium term:

- Government should set up a taskforce to improve collection and sharing of data on vulnerability
- Government, regulators and industry should aim for customers to only need one ability to pay conversation
- Ofgem should extend PPM warrant protections and monitor the use of remote mode switching
- Suppliers should not increase their use of disconnection for debt once the BEIS agreement ends
- Government should design new solutions for those with unmanageable debts as a result of COVID-19
- Suppliers should demonstrate inclusive services by signing up to Energy UK's vulnerability commitment

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