



## Members business debate on S2M-5525 Scott Barrie: Switch Off Energy Debt

Wednesday 28<sup>th</sup> February

*"Energy companies are adding unnecessary misery to an already intolerable situation. Not only are they quick to increase prices and slow to bring them down, but their pricing structure and recovery methods can compound the difficulties."*

Bureaux dealt with 9,371 queries relating to utilities in 2005/2006. This represents a small but growing workload of the CAB service, being a 13% increase on the previous year, and a 27% increase from 2003/2004. Given the exponential rise in fuel prices – an average of 94% for gas, and 60% for electricity, this is not surprising. Over half of all utilities issues relate to debt.

Communities Scotland calculated in 2004 that for every 5% rise in utility prices a further 30,000 households become fuel poor<sup>1</sup>. Increasing income is responsible for 50% of the reduction in the numbers in fuel poverty between 1996 and 2002. Latest figures from the continuous household survey indicate a small rise in the numbers in fuel poverty, from 13% to 14.5% of households<sup>2</sup>. This rise predates the bulk of these price rises and it is therefore safe to assume that there will be a considerable increase in the figures over the next few years. This places an increased onus on robust interventions to mitigate against price rises, let alone make inroads into tackling the fuel poor.

In 'On the cards', our 2004 debt report, we found that 28% of CAB debt clients had a prepayment meter, for at least one of their fuel supplies. This is higher than the national average of 20% of Scottish customers who have prepayment meters. A higher proportion (33%) of clients with a utility debt have at least one prepayment meter. This means that those who can least afford to pay are paying the most for their gas or electricity. Of all clients who say they have been threatened with disconnection of services, nearly half have a prepayment meter, usually for electricity.

CAS has been working in partnership with Energywatch Scotland providing client evidence to support the campaign for the equalisation of prepayment meters and standard tariffs as well as an end to the practice of backdating price increases when meters are recalibrated. This has been effective in ending the practice in some companies, though Scottish Power, Npower and Powergen continue to backdate increases. Npower have been even more regressive, announcing that their recent price cut will not apply to any prepayment meter customers.

A further problem is that the market in Scotland is not as competitive as in England and Wales. This was recognised by Ofgem in their decision to implement the British Electricity Trading and Transmission Arrangements (BETTA). In January 2003, Ofgem stated "GB-wide trading and transmission arrangements are good news for GB customers, particularly those in Scotland. They will bring more competition to the Scottish generation market and help reduce the costs of transmitting electricity to homes and businesses. Together, they mean that Scottish customers should see an average cut in their electricity bills of £20 a year."<sup>3</sup> This average saving has never materialised and the regulator appears to be at a loss to explain why the implementation of BETTA has not delivered in the way they predicted.

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<sup>1</sup> Fuel poverty report, Scottish House Condition Survey 2002, 15<sup>th</sup> April 2004

<sup>2</sup> Scottish House Condition Survey 2003/2004, 31st March 2006

<sup>3</sup> OFGEM press release 30<sup>th</sup> January 2003, "GB-wide electricity arrangements should mean £20 a year fall in Scottish bills"

Energy companies are adding unnecessary misery to an already intolerable situation. Not only are they quick to increase prices and slow to bring them down, but their pricing structure and recovery methods can compound the difficulties.

CAS therefore calls for the following actions:

- An end to backdated charges for prepayment meters. If companies are unwilling to act then OFGEM needs to intervene to halt this invidious practice.
- Equalisation of prepayment and standard credit tariffs. Households should not be penalised for budgeting effectively.
- Widespread introduction of discounted energy packages for vulnerable groups, such as that offered by Scottish and Southern Energy.
- An explicit link between fuel poverty and regeneration to ensure that fuel poverty is eradicated as an integral part of regeneration.
- Further policy interventions to tackle fuel poverty, particularly for those under 60, families with young children and households with disabilities.
- A formal review of BETTA by OFGEM to determine what, if any, benefit to Scottish customers it has yielded and, at a broader level, why the market in Scotland remains less competitive than in England and Wales.

Case evidence:

A South of Scotland CAB reports of a client who received a fuel bill demand for £121.80 as outstanding balance after their prepayment meter was upgraded. The bill stated that this was a reduced amount but there was no mention of how the arrears came about and over what period. The company began deductions of £5/week. The bureau was very concerned that there was no bill to accompany the arrears notice and referred the case to Energywatch.

A West of Scotland CAB reports of a 65 year old client who recently had a new electricity prepayment meter installed and received a bill for £112.53 for usage on the old meter. The bill was accompanied by a letter which explained that the previous meter could only be recalibrated manually by a visit to the client's home, and that the bill was a result of her not paying the correct tariff, even though the meter had always been in credit. The letter stated the £112.53 bill was, in fact, a reduction from the original charge as a concession to the inconvenience caused but was due in full. Automatic deductions of £5/week would be made if the client was not able to pay in full and did not get in touch to arrange repayments. The client was extremely angry; stating that at no point had the company made an attempt to visit her to recalibrate the meter and was also concerned that she had been given no indication as to how the full extent of the alleged arrears accrued on the old tariff. The bureau reported that this was one of many clients with this problem, receiving bills ranging from £50 - £350.

A North of Scotland CAB reports of a client who encountered problems with her fuel supplier when she changed to a new supplier six years ago. She had been informed that, as she was paying through a token meter, no bills were being issued. She contacted her new supplier on a number of occasions as she felt she was not paying enough into her meter, however no one was ever sent to check it. The client then received a bill for £900, the accompanying correspondence informing her she had essentially been receiving 'free electricity'.

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