



Scottish Pensioners' Forum
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This response may be published with the name of our organisation

This response may be shared with other departments dealing with this consultation

We may be contacted again, if necessary, to discuss the details of our response

Scottish Pensioners' Forum Response:
OFGEM: Call for Input
Affordability and Debt in the Domestic Retail Market
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The Scottish Pensioners' Forum (SPF) argues that debt support delivered by suppliers is paid for by other consumers, irrespective of their ability to pay. 'Socialising' bad debt essentially represents a regressive tax levied without regard to benefit or ability to pay.

The following comments should be taken in this context.

- a. Benefit eligibility may be determined by income and savings levels, rather than by any direct regard for living costs. Receipt of Pension Credit offers access to a range of additional benefits – help with housing and heating as well as Council Tax and TV licence costs. As a result, recipients may actually be better off financially than anyone whose income just exceeds benefit thresholds. Inflation of energy prices to pay for bad debt impacts particularly on the latter. Targeting amelioration of the effects of rising energy costs towards benefit recipients further disadvantages those already disadvantaged by this anomalous situation.
2. 'Focus on debt' comes at the expense of those 'struggling to pay' who may well have been forced into choosing between eating and heating, just keeping their financial heads above water, but at the expense of under heating their dwellings and their overall health. Debt itself is not the only cause of damp or inadequately heated homes. Under-heating rather than self-disconnection may be equally as significant, quite apart from the generally poor state of Britain's housing stock.
3. Loading of bad debt onto network costs, which translate into daily standing charges, rather than onto unit consumption, disproportionately disadvantages small or single households, the very group most likely to be affected by fuel poverty. As a result of the balance between unit and standing charges smaller users effectively subsidise larger ones. Reductions in wholesale energy prices have largely been eroded by increased network costs. 'Typical households' are purely notional and underplay policy impact on smaller, more vulnerable consumers.
4. Levels of standing charges vary enormously between areas, with Scotland's being amongst the heaviest in Britain. The basis for this situation and the extent to which Network Operators can vary these charges must be open to question.
5. Debt relief measures delivered through suppliers, with varied criteria for applying them, when combined with different standing charges (SC) must create something of a postcode lottery, while still excluding the struggling consumer from assistance. As well as creating an expensive bureaucracy, monitoring supplier responses to debt inevitably takes place after the event and is no substitute for having clear licence conditions in place.
6. The cost of equalising prepayment meter (PPM) charges has largely been carried by direct debit customers, who may themselves already be struggling. Rising energy bills only makes their position worse. An element of SC debt has also been loaded onto this group. It is their credit balances to which suppliers have access as 'cheap money,' yet they receive no balancing credit themselves – a triple whammy!
7. Consumers are expected to pay for higher levels of debt write-off upfront. Any 'true up' only comes much later. Suppliers do recover some of their costs by selling their debt on to third parties. The impact on levels of accrued debt from the forced pause in PPM installation because of 'rogue' supplier activity has not been taken into account.

8. The whole operation of debt management and apportionment of costs within the energy sector needs thorough overhaul, with greater clarity through regulation rather than voluntary codes, as well as the proper recognition by Government of its responsibilities. Relying on a patchwork of supplier approaches, backed up by voluntary agencies does not work. Too many debtors slip through the net until their problems reach crisis point.
9. Engagement with consumers long before forced PPM installation becomes an issue, should aim at preventing the situation deteriorating. Publicity around the issue should recognise the importance of informal networks such as word of mouth, community, and social media communication channels.
10. The court process remains the main means for the legal recovery of debt, but proactive, joined up counselling needs to be embedded into the system. Debt counselling should be adequately funded by Government as part of its social responsibilities, rather than left to the voluntary sector. The court process must be subject to close scrutiny and accountability, with subsequent enforcement within stringent legal parameters.
11. Government should shoulder its responsibilities and ensure basic pension and benefit levels match the real cost of living rather than requiring supplement from a plethora of top-ups.
12. Smart metering is not universally regarded by consumers as a means of taking control of their energy bills and reducing debt. Apart from popular perceptions doubting its reliability, such technology has the power to confuse as well as enlighten. Many customers have no choice in the timing of their use of energy and so are unlikely to benefit from any flexibility in tariffs offering off-peak reductions, while also potentially being penalised by peak time tariff increases.
13. Consumers will, as with the smart meter programme, no doubt, be expected to foot the bill for infrastructure projects and upgrades which to a large degree are needed to make good chronic past lack of investment and neglect. The nuclear programme, so far woefully delayed and well over budget, will only escalate costs. Short term patches and provision of further gas fired generating capacity will end up costing consumers more in the long run. Lack of investment in the energy industry is systemic as private operators seek to maximise, and extract, their profits. As always, the consumer pays.
14. Illegal extraction of gas or electricity ranges from individual attempts to avoid high energy charges to commercial scale criminal activity such as cannabis farming. In instances where criminal convictions are obtained, the courts can institute proceeds of crime asset seizures or impose victims of crime surcharges. To what extent are these simply added to general state revenue or actually devoted to reducing the on-costs presently loaded onto victims, other consumers in this instance?
15. For a significant proportion of the population, energy has simply become unaffordable. Debt levels are only a symptom of this. The 'market' in energy is not perceived as reducing its costs overall. A multi-layered structure and need for regulation have added to costs for consumers. Apart from a limited ability of consumers to benefit from one-off deals, the majority have reaped little or no benefit from competition between suppliers. In this heavily regulated 'market' the consumer still shares a disproportionate amount of the risk rather than the investor.