

FUEL DEBT ADVICE BULLETIN



Advice and information from NEA, the national fuel poverty charity

October 2021

This edition of the Bulletin summarises some of the key topics affecting the provision of fuel debt advice and highlights help available for frontline workers / householders.

The contents include;

- Energy Price Cap
- Supplier of Last Resort (SoLR)
- Warm Home Discount
- Ofgem Consumer Protection Report
- Household Support Fund
- Smart Energy GB - Fuel Debt Factsheet
- NEA News

Energy Price Cap

On 6th August the energy regulator, Ofgem, announced the biggest ever increase to the energy price cap. The increase of £153 for prepayment customers and £139 for those paying by Direct Debit is likely to result in suppliers putting their prices up in October (an estimated 12% increase). This is when millions of people will see a reduction in their incomes, as furlough winds down and the uplifts to Universal Credit are withdrawn.



NEA warns a 'toxic' combination of higher prices, reduced incomes and leaky, inefficient housing will lead to a surge in utility debt and badly affect physical and mental health this winter.

The price cap which first took effect in January 2019 and is intended to prevent suppliers from making excessive margins, and to ensure that prices do not change as frequently as in the past.

The price cap, set by Ofgem helps to control the unit cost of gas and electricity in the UK.

The price cap controls the unit rate and standing charge that suppliers can bill for default tariffs and is based on a typical customer using a "medium" amount of energy each year. However, the figure is just an indication for the average user which simply means if you use more gas and electricity than the "medium" user, you will pay more for it.

The price cap only applies to customers who are on a standard variable tariff.

While standard variable tariffs have in the past been the most expensive tariffs on the market, because of the price cap they are now amongst the cheapest. It is still worth households asking their suppliers whether they are on their cheapest tariff, but it has become increasingly unlikely that savings can be made by switching.

Supplier of Last Resort (SoLR)

Several energy suppliers have ceased trading over recent months (in addition to energy firms which ceased trading in 2019 / 2020) with the potential that more could follow.



Ofgem has provided protection for customers of failed energy companies under its *Supplier of Last Resort* (SoLR) safety net.

Under Ofgem's SoLR safety net, the energy supply of customers will continue, and outstanding credit balances of domestic customers will be protected. Ofgem chooses a new supplier to take on all of the failed energy supplier's customers. The assigned supplier will contact these customers shortly after being appointed.

Ofgem's advice to energy customers is to:

- Not switch to another energy supplier until a new one has been appointed and they have been contacted by them in the following weeks. Once the customer is registered with the new supplier, they are then entitled to switch supplier if they so wish.
- Take a meter reading ready for when their new supplier contacts them (preferably a photograph)

The SoLR is to make sure customers will always have an energy supply, domestic customers' credit balances are protected and that the process in moving over to the appointed supplier is as smooth and hassle free as possible.

Special Administration Regime (SAR)

Ofgem are most likely to use a SAR if they can't appoint a new supplier using the Supplier of Last Resort process for example because of the size of the supplier that is in financial difficulty. In this scenario, a special administrator is appointed to run the company until it is either:

- rescued (e.g. through a restructuring)
- sold
- has its customers transferred to other suppliers.

The process reduces the risk of financial failure spreading across the energy market, for example where costs of supplying energy and honouring credit balances would affect the ability of a SoLR to serve their existing customers. Its intention is to keep the market stable and protect consumers. The process also ensures all customers of the failed energy supplier continue to get energy.

Further information on SoLR and SAR which includes a table of suppliers who have ceased trading and who the new supplier is can be found at

[Ofgem SoLR](#)

Warm Home Discount Rebate (WHD)

The WHD opened officially on 18th October for applications though most energy companies were accepting applications / registrations of interest prior to the official opening date. At the date of issue of this Bulletin all energy companies are open currently with the notable exception of Utilita which closed for applications on the 18th August.



There are 2 ways of qualifying for WHD

Core Group

You qualify for the discount if on 4 July 2021 all of the following apply:

- your energy supplier is part of the scheme

- your name (or your partner's) is on the bill
- you or your partner are getting the Guarantee Credit element of Pension Credit (even if you get Savings Credit as well)

There is no need to make an application it is paid automatically onto the customer's account

Broader Group

- your energy supplier is part of the scheme
- you're on a low income
- you get certain means-tested benefits

If you're part of the 'broader group' of households that need to apply for the Warm Home Discount it's worth getting in your application as soon as possible as it's generally delivered on a first-come, first-served basis, with each supplier having a limited pot of cash to distribute. As noted above, energy supplier Utilitia, for example, has already opened and since closed its Warm Home Discount scheme for 2021/22 on 18th August.

There is some confusion surrounding qualification of WHD this year with the number of energy suppliers having ceased trading. If the householder was with a supplier that has ceased trading they may still be entitled to claim with their new supplier if:

- They satisfy the qualifying criteria (which is likely they will).
- Potentially a householder may qualify for WHD with their new supplier if they were with a supplier that was not part of the scheme (customer base of less than 250,000) so being moved to a "bigger" supplier may allow them to submit an application

Important information for customers of failed suppliers

If an individual is eligible under the Broader Group category with their new Ofgem appointed supplier then they will need to re-apply as soon as possible once their new energy account is set up – this is due to the limited pot of money available (i.e. first come – first served).

In contrast, Ofgem have confirmed that individuals qualifying for the Core Group will still be paid by the new supplier and thus do not need to re-apply.

Full details of the Warm Home Discount Rebate scheme can be found at <https://www.gov.uk/the-warm-home-discount-scheme>

Ofgem Consumer Protection Report



Ofgem has published its Consumer Protection Report: Autumn 2021, presenting its assessment of how the energy market is working for consumers in vulnerable situations. It draws on the latest domestic suppliers' social obligations data, as well as engagement with consumer groups and charities over the COVID-19 period, up to Q2 2021. The report highlights some areas of good practice observed across this time, as well as areas of poor practice where suppliers have fallen short of Ofgem's expectations.

Key trends in 2020 include:

- The total number of customers in debt fluctuated during the pandemic. The number of customers repaying an energy debt held relatively steady in 2020, but increased in 2021. While the number of customers in arrears (without a repayment plan) rose in 2020 and again in 2021, increasing sharply in Q2 2021 on the previous quarter.
- The number of prepayment meters (PPMs) force-fitted under warrant to recover debt decreased significantly in 2020. However, Ofgem acknowledge the likely role of COVID-19 restrictions on this

decline and will pay close attention to this figure next year to ascertain whether it represents a permanent shift in supplier practices.

- There was also an increase in the proportion of customers being remotely switched from PPM to credit, showing the value of smart meters for prepayment households.
- There has been an increase in the number of customers signed up to the Priority Services Register (PSR). However, this was not proportionate to the increase in the number of vulnerable energy consumers as a result of the COVID-19 pandemic, and there was a decrease on average in the number of PSR services provided to these customers.

Ofgem has identified several areas of concern, highlighting expectations relating to suppliers' commitments and licence obligations. It expects industry to respond to the findings and insights presented in this report. It aims to provide an update in its next edition in 2022.

The full report can be found at;

[Consumer Protection Report: Autumn 2021](#)

Household Support Fund

Local authorities across England have been given funding (£500 million) to help vulnerable households with essentials over the coming months as the country continues its recovery from the pandemic. Essentials include energy, food and clothing. Councils may add to this list at their discretion.



The new Household Support Fund will support households in England and will be distributed by councils to the most vulnerable households in their areas. The eligibility criteria set by Government is broad, and can be refined by each council, meaning that rules should be checked for a particular area before applying.

Although the scheme will not directly be available in Wales, Scotland or Northern Ireland, funding has been made available to these nations, which may result in their own schemes being created.

Smart Energy GB - Fuel Debt Factsheet

In light of the current challenges in the energy market Smart Energy GB together with NEA have updated their fuel debt factsheet. The factsheet gives information and advice on what people can do if they are struggling to pay their energy bills and falling into debt.

It's available [here](#) on the Smart Energy GB Resource centre for frontline workers to download for households. It is available in English, Welsh, large print (English and Welsh) and easy read (English and Welsh).

If people can't afford the energy they need or are in debt with their energy supplier, there is help available.

Four steps to avoid fuel debt are:

1. Improve the energy efficiency of your home
2. Check that you are claiming all of the benefits you are entitled to
3. If you are unable to pay your bill, contact your supplier and let them know
4. Provide your supplier with a monthly meter reading to ensure you receive an accurate bill.



NEA News

NEA's Warm and Safe Homes Advice Service

NEA's Warm and Safe Homes Advice Service is a free support service providing energy and benefits advice to householders in England and Wales. WASH takes referrals from householders and caseworkers.



**0800
304 7159**

WASH can help with:

- Registering individuals for supplier Priority Services Register services
- Applying for the £140 Warm Home Discount rebate*
- Energy efficiency advice for the home
- Applications for grants and trusts
- Negotiating tariffs and payments with energy and water suppliers
- Benefits advice, entitlement checks and claim support
- Applications for emergency hardship funding (eligibility criteria may apply)

NEA Training

As one of the leading providers of domestic energy and fuel poverty training and education services for over 30 years, NEA is delighted to offer both face-to-face and online tuition across the United Kingdom to enhance the quality of energy advice services nationwide.



NEA's suite of training products are quality assured to BSI ISO:9001 and provides you with an excellent opportunity to develop your skills in understanding the issues which might impact on vulnerable, low income and fuel poor households, how to identify people who might need support, and critically how you deliver good quality, accurate advice around domestic energy and fuel debt either in the home, by phone or online.

The training includes webinars, supported e-learning, qualifications, schools & education resources. NEA has developed an extensive suite of interactive webinars to respond to the current pandemic, and these will continue to be available to support remote learning in the future.

As well as our existing suite of training NEA can create bespoke courses to respond to specific needs and we also support with community projects to support skills development amongst young people looking to embark on a role in the energy sector.

For full details of what is available go to NEA website <https://www.nea.org.uk/work-with-us/training/>

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