

## Tackling Disconnection

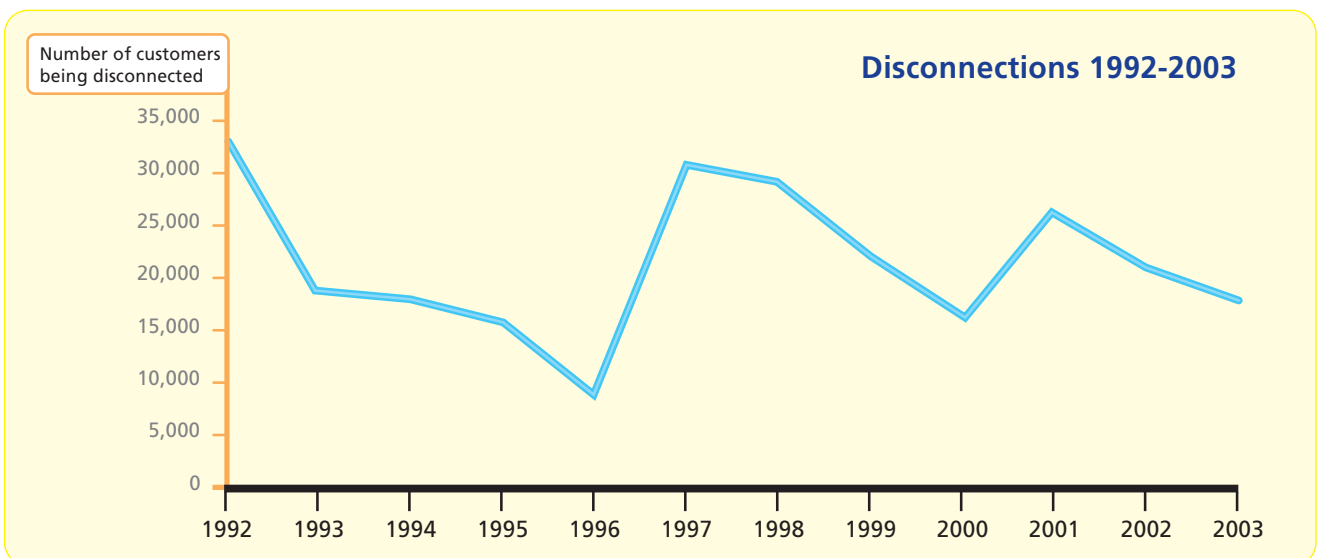
**In February 2004, Ofgem issued a challenge to energy suppliers to develop a strategy that would ensure vulnerable customers would not have their supply disconnected.**

**The Energy Retail Association (ERA), which represents the largest gas and electricity retail companies, has put forward proposals to meet this challenge. Ofgem and the ERA are now consulting on these proposals.**

### How many people are disconnected?

Very few customers are disconnected for **non-payment** of fuel bills - only **4** for every **10,000** customers.

The graph below shows total disconnections for each year since 1992.



There is a separate issue around customers with **prepayment** meters who **self-disconnect** by not topping up their credit. Ofgem is also working to prevent this by:

- introducing **competition in metering** to help bring down the cost of prepayment meters, and
- encouraging the use of **alternative payment methods**, and
- requiring suppliers to provide regular **information to customers** on the operation of prepayment meters.

Ofgem has also made it easier for customers with prepayment meters to take advantage of the benefits of **competition**. Customers with a debt of up to **£100** can now switch supplier and make savings of up to **£75 per year** on their energy bills.

## Which customers are considered 'vulnerable'?

There is at present no commonly agreed definition of what constitutes a vulnerable customer. The ERA has suggested the following:

*"A vulnerable customer at risk from disconnection will be unable to safeguard his or her personal welfare or the welfare of any children in the household, and will be in need of care and attention by reason of age or infirmity, or suffering from chronic illness or mental disorder, or substantially handicapped by being disabled."*

This is intended to focus the extra assistance of energy suppliers on those genuinely vulnerable. Any assessment of an individual customer's vulnerability will necessarily be a **subjective judgment** based on the **evidence** available.

## What is being proposed?

Ofgem wants to see suppliers doing much more to **identify and offer help** to **vulnerable customers** who may struggle to pay for the gas and electricity they use.

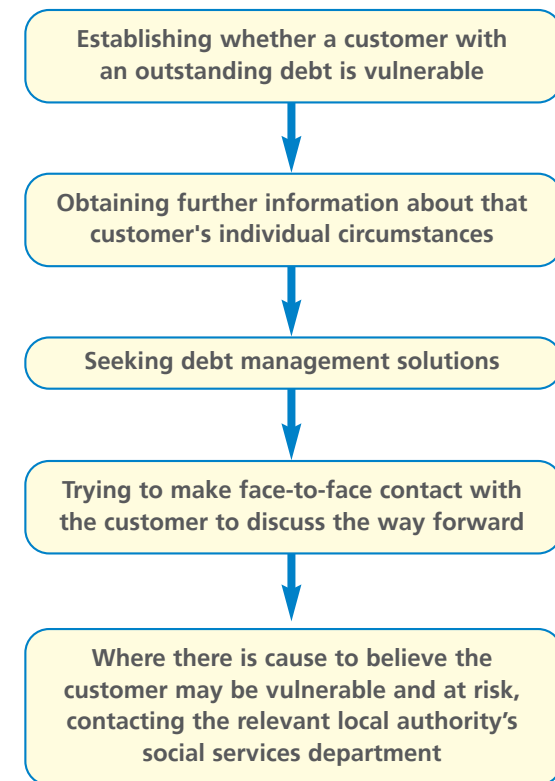
Existing **Codes of Practice** require suppliers to try to make direct contact with customers who may be having difficulty paying their bills, in order to offer assistance.

In addition, suppliers are under an **obligation** to offer to install a prepayment meter to help customers pay off their debt.

There is also a **licence condition** which stops gas suppliers knowingly disconnecting older people during the winter (October - March).

The ERA is proposing that all suppliers integrate a further **safety net** into their debt follow-up procedures, so that **vulnerable customers** are not disconnected.

## This would involve:



## Why not just ban disconnections altogether?

Ofgem's role is to protect the interests of **all** customers.

Ofgem believes that disconnection should only ever occur as a **very last resort** - after every effort has been made to offer help or come to an arrangement.

However, Ofgem believes that suppliers need to retain the power of disconnection to deal **cost-effectively** with the small minority of customers who, even when all possible offers of help have been made, continue to refuse payment.

### For further information please contact:

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