

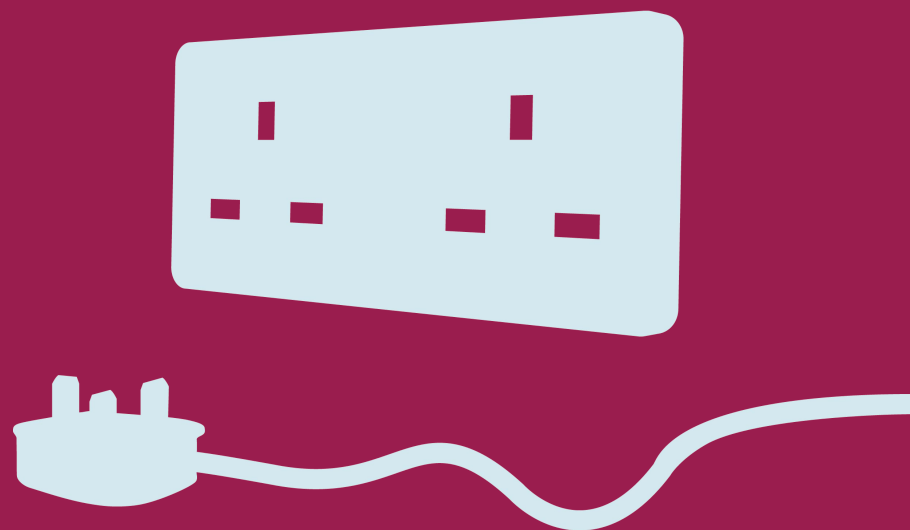
Recovery, or Ruin?

The role of accessible support in helping energy consumers through the crisis



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Summary

The coronavirus pandemic has left millions of people worse off. While people try to keep warm this winter, 24% of consumers - equivalent to almost 7 million households - expect to struggle to pay their energy bills.¹

The pandemic has also financially impacted energy suppliers. Many were already undergoing major restructures, and the impact of the pandemic has accelerated changes to their service which will impact customers over the coming months.

This report looks at the 3 key areas of supplier services that people need them to get right: providing accurate bills, helping with problems, and supporting customers who fall behind.

① Accurate billing

The pandemic means many people are spending more time at home and 48% of consumers think they're using more energy than normal.² This puts people at a higher risk that their payments aren't covering their usage, leading to 'bill shock' when they receive an accurate bill.

In the year ahead, many suppliers will be making changes to how they bill customers. As a result of takeovers and supplier modernisations, we estimate over 10 million people will be transferred to new billing systems. Changes like these should improve the service people receive. But in the past suppliers have struggled to execute them well, leading to problems with inaccurate bills and poor customer service.

② Accessible and high quality customer service

Early in the pandemic many suppliers limited access to their customer services as they had fewer staff available and were in the process of moving to home working. Suppliers should now have adjusted to these changes and service should be back to normal. But unfortunately, in a recent survey 1 in 7 people (14%) who tried to contact their supplier told us they were unable to get in touch with their company.¹

Suppliers are also increasingly shifting to 'digital first' approaches to service, which can offer benefits to customers who are willing and able to use them, while also being more efficient for suppliers to run.

However, most people still prefer to use telephone services to talk to their supplier when they have a problem such as a billing issue or are in debt. Meanwhile, for the 9 million people without internet access or adequate digital skills, these services remain as essential as ever.³

We're concerned by emerging evidence that some suppliers are putting up barriers to these services, just as customers need them most. This includes making their telephone details hard to find on their websites, or taking them off bills altogether. As suppliers introduce more digital services, it's vital they keep telephone lines easily accessible for those who rely on them.

③ Help for people who fall behind

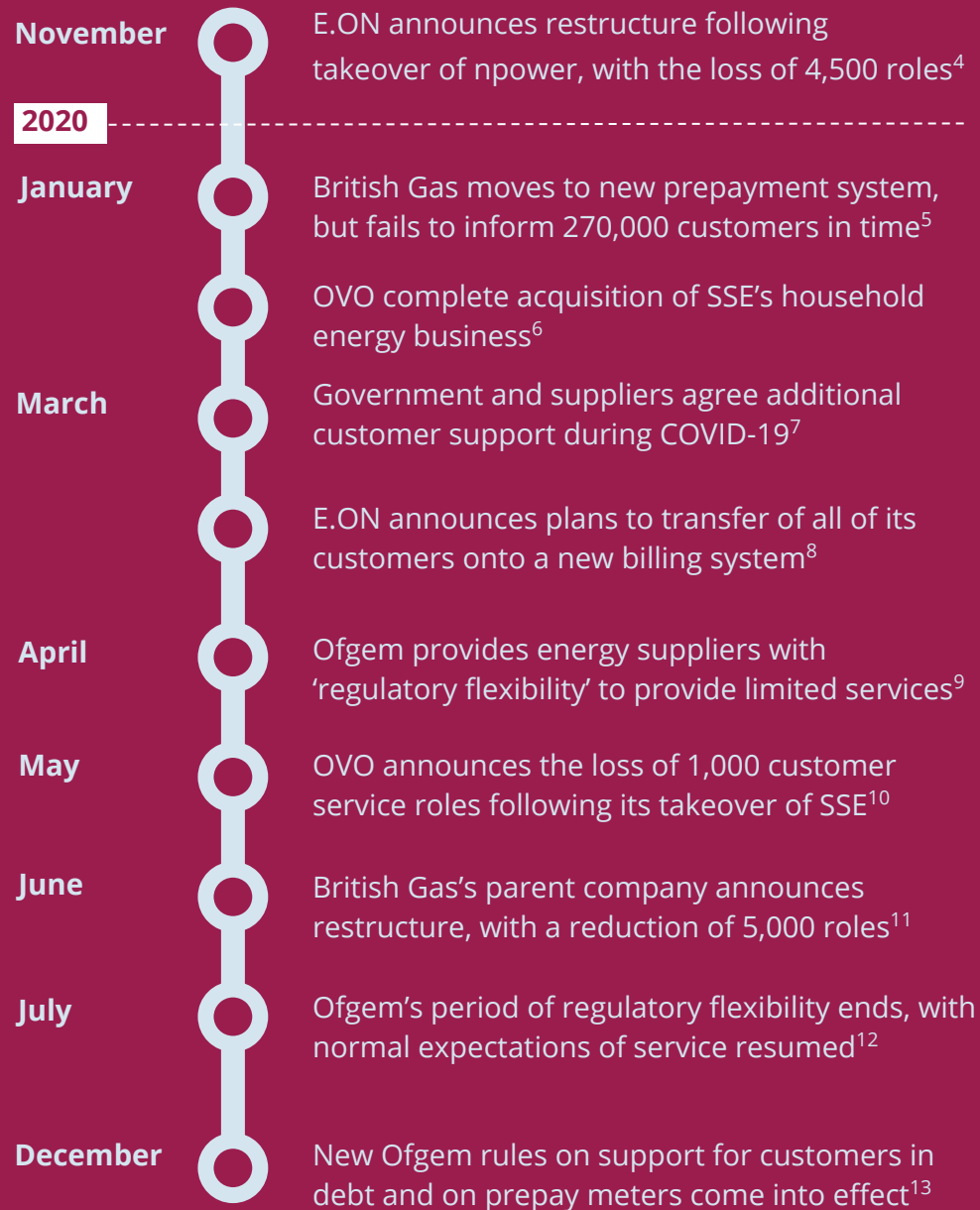
If customers can't afford their bills and don't get in touch early to ask for help, the amount they owe can increase quickly. 600,000 more households are behind on their energy bills than in February² and data from suppliers shows the rate of customers in arrears has increased by 50% since last year.

Most suppliers have a good package of support available for customers. 59% of people who'd struggled to pay for energy in the past 6 months and had spoken to their supplier said the support options they got were helpful.¹ But to access this help more people need to be offered or told about support and be able to get in touch to discuss their situation with their supplier.

Some people will need more support than their supplier can offer, particularly people that have no realistic way to pay back what they owe. Some grants or fuel vouchers are available, but demand for these is also high. Government has put some additional support in place, but should ensure there is adequate funding to get people through the winter.

The pandemic has accelerated trends that will define the coming years for energy consumers and suppliers. Major changes to billing and customer service should bring benefits, but have the capacity to harm consumers if not done well. Meanwhile, debt issues are likely to persist as the economy recovers, requiring suppliers to maintain sufficient staffing levels to provide high quality help and support.

Key recent events in the retail energy market



November	E.ON announces restructure following takeover of npower, with the loss of 4,500 roles ⁴
2020	
January	British Gas moves to new prepayment system, but fails to inform 270,000 customers in time ⁵
	OVO complete acquisition of SSE's household energy business ⁶
March	Government and suppliers agree additional customer support during COVID-19 ⁷
	E.ON announces plans to transfer of all of its customers onto a new billing system ⁸
April	Ofgem provides energy suppliers with 'regulatory flexibility' to provide limited services ⁹
May	OVO announces the loss of 1,000 customer service roles following its takeover of SSE ¹⁰
June	British Gas's parent company announces restructure, with a reduction of 5,000 roles ¹¹
July	Ofgem's period of regulatory flexibility ends, with normal expectations of service resumed ¹²
December	New Ofgem rules on support for customers in debt and on prepay meters come into effect ¹³

Our approach

For the report we brought together data from a range of sources. This includes data from two major surveys:

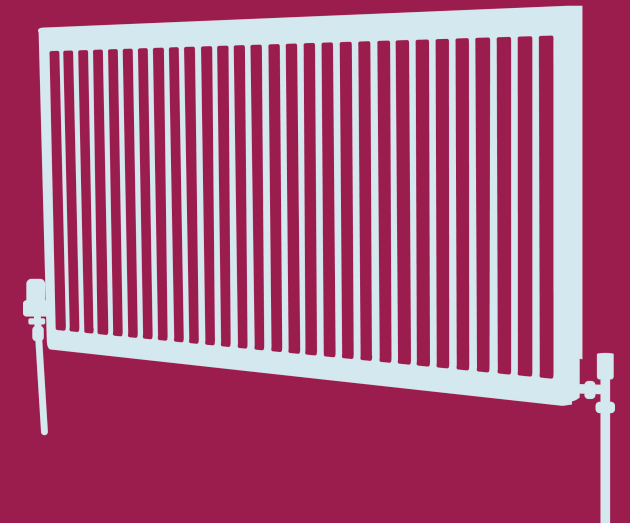
- Accent Research for Ofgem/Citizens Advice, Consumer Perceptions of the Energy Market (Q3 2020), representative sample of 3,202 adults in Great Britain, fieldwork conducted in August/September 2020
- ICM Unlimited for Citizens Advice, representative sample of 6,004 adults living in the UK, fieldwork conducted in November 2020

Alongside this, we also used:

- Data requested from suppliers directly via a formal request for information.
- Insight from contacts to our services and the Extra Help Unit, a specialist support service for consumers in vulnerable circumstances or who are at risk of disconnection.
- The Citizens Advice **supplier star rating**.
- An audit of information available on energy supplier websites.

We received information from the following large and medium-sized energy suppliers: Avro Energy, British Gas, Bulb, E.ON, EDF, Green Network Energy, Octopus, OVO Energy, ScottishPower, Shell, Utilita and Utility Warehouse.

All names used in case studies have been changed.



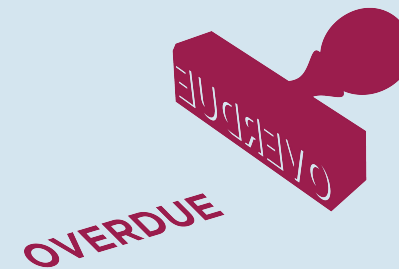
Indicative customer journey

Why customer service matters



Omar receives an accurate bill after a long period of estimated bills. He's been at home during lockdown and has used more energy than normal for the time of year, so his bill is much bigger than expected. Omar recently lost his job and can't pay his bill in full. He's struggling to cope.

He looks on his supplier's website but is unable to find anything about the support options available and can't find their telephone number. After struggling to find an old bill with the number, he tries to contact them but can't get through. He continues to receive requests to pay his bill which are making him anxious.



Omar eventually gets to speak to his supplier but his debts have built up further. They refuse to apply back billing protections to reduce what he owes. He ends up having a prepay meter fitted to repay his debt. He is worried about being able to keep his meter topped up over winter.

Paying for energy

Many people are in difficult financial circumstances this winter, with 24% of households - equivalent to almost 7 million people - expecting to struggle to pay their energy bills this winter.¹

Many people are also spending more time at home. This means using more energy - and a cold winter could make this worse. Consumers may be shocked to receive an accurate bill to find their previous payments haven't covered their usage.



48% of people think they're using more energy than normal²

Meter readers have also struggled to attend properties at points, leaving some consumers at risk of receiving more estimated bills and building up problems for the future.



Over 60% of suppliers in our latest star rating results provided fewer accurate bills than a year ago

Customers are protected by the rules which mean suppliers can't send bills for energy used over a year ago in most cases. However, we've seen some suppliers flouting these rules.



Case Study - Extra Help Unit (Oct 2020)

Alex received a bill for £2,000 after 3 years. The EHU asked the supplier to review this in line with the back billing rules. Alex's account was credited with £2,200.

Prepay customers are at higher risk

For people with prepay meters, struggling to pay for energy has a more immediate impact. This puts people at risk of self-rationing and self-disconnection.



Since March, 16% of people on prepay have been unable to top up because they couldn't afford to¹

We've helped many people who are struggling to top up their energy, which can lead to mental and physical health issues.



Case Study - consumer service (Sept 2020)

Kamal has a prepay meter and is waiting for new top-up cards to be posted. Kamal called his supplier once before, and again this morning. He was put on hold and the call was eventually dropped.

Earlier this year we looked at the impact of the pandemic on prepay customers in our report **The End of the Beginning**. Ofgem has since introduced new rules which come into force from December.¹³ These place new requirements on suppliers to identify when customers are off supply and consider appropriate help, including credit to keep them on supply.

In the longer term, both credit and prepay customers will benefit from the rollout of smart metering, which should ensure accurate bills and enables enhanced supplier support.

Billing migrations

Looking ahead, many customers are also going to be affected by billing migrations. This is where customers move from one billing system to another.

Recent supplier mergers and takeovers mean many customers are due to be migrated by the end of 2021.



We estimate over 10 million customers are due to be migrated by the end of 2021¹⁴

These changes should benefit customers through better, more efficient services. But they also carry risks if executed poorly - at a time when people are at financial risk.

Since 2012, suppliers carrying out migrations have experienced problems including:

- late and inaccurate bills
- issues handling complaints
- customers unable to submit meter readings.

These issues led to significant enforcement activity by Ofgem, with companies required to pay more than £55 million¹⁵ in redress and some even banned from taking on new customers until the problems were resolved.^a

At the start of 2020, British Gas moved its prepay customers to a new top-up provider, but failed to tell all of them about the changes, putting customers at risk of going off supply.⁵ Extra care is needed when making changes that are likely to affect customers in vulnerable circumstances.

We analysed Ofgem compliance and enforcement cases to identify how suppliers can reduce the risk to customers:

Before migration

Identify problems at the outset

Test thoroughly and put controls in place before launching billing system so problems and their causes are more visible

During migration

Ensure customers are aware

Update customers on billing issues proactively and early in the migration process.

Understand issues as they occur

Use rapid reporting and feedback loops to improve compliance levels and to better understand customer outcomes.

After migration

If the billing system underperforms

Invest in resource, including staff. This could involve switching billing systems again if necessary. Withdraw from marketing activities until issues are resolved.

If the customer is dissatisfied

Offer compensation, use tailored approaches, allow those with debt to switch, and increase customer service capacity to ensure issues get resolved.

Service is vital

All customers must be able to get in touch with their supplier to discuss their situation. And for those in financial difficulty, it's even more vital. We know that many people prefer to speak to an advisor when they want to discuss debt issues or resolve billing queries.



Over 50% prefer to use telephone services when things go wrong¹⁶ or for billing and supply issues¹⁷

Early in the pandemic, many suppliers had to make changes to how they operated, switching call centres to home working and managing reduced staff availability. Ofgem put in place 'regulatory flexibility' that enabled suppliers to prioritise telephone services for customers in vulnerable circumstances, including people at risk of going off supply or struggling to pay.⁹

This period of flexibility ended in June, and suppliers should now be able to provide services as normal, but too many customers are still struggling to get through.



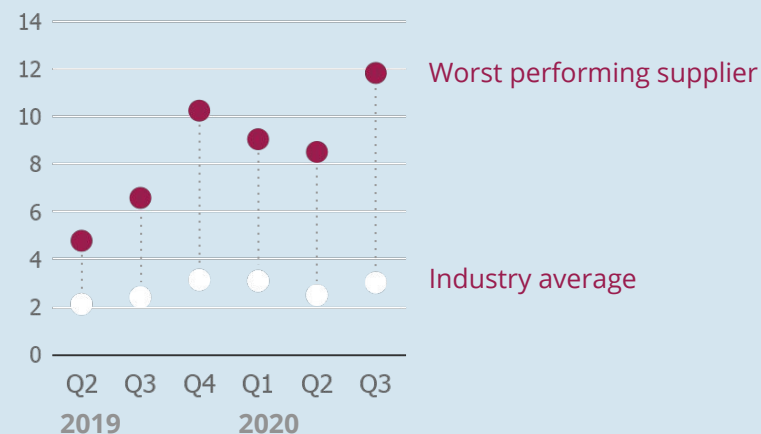
In the 3 months to September, 1 in 7 people (14%) who tried to contact their supplier weren't able to¹



In 55% of cases where contact was not possible, people told us their supplier did not respond¹

We track individual supplier service performance through our star rating. Our Q3 2020 release shows that following lockdown there was an increase in the average wait time for telephone lines. We've also collected data about email services for the first time, which show that suppliers took more than 2 working days to responded to 1/3 of emails.¹⁸

Call waiting times in minutes, from our star rating



Case Study - consumer service (Sept 2020)

Laila is elderly and has been self-isolating. Her son had been topping up her prepay meter but he is now back at work. Laila is having difficulty and is worried about having to get a bus into town tomorrow to top up. She is struggling with her supplier's automated phone system and can't find someone to ask for help.

Transition to 'digital first' services

Over recent years all sectors of the economy have been moving towards greater use of digital services. In energy this includes online accounts, apps, and webchat. These services can be easy and efficient for many customers to use.

During the early stages of the pandemic suppliers relied more on online services to help manage reduced phone capacity. This may lead to a permanent shift in some consumer's preferences. Suppliers are also keen to make efficiencies, with many announcing staff reductions. However, it's vital that companies consider the needs of all their customers.



9 million people can't use the internet without assistance.³

Research has forecast that in 2030 a quarter of the population will still have very low digital engagement.³ We're concerned that changes by some suppliers may be causing difficulty for households reliant on telephone services.



1 in 3 people (32%) who tried to get in touch with their supplier and couldn't said this was because they couldn't find their contact details.¹

We're aware that one major supplier has removed its phone number from some bills, and our audit found it was difficult to find phone details on over half of supplier websites.^{19,20}



Case study - consumer service (Sept 2020)

Nia doesn't use the internet and their last few bills didn't have a phone number on them. Nia called a number on an old bill and waited an hour. When they finally got through they were cut off by the agent.

Suppliers need to manage changes to their services carefully and maintain support across a range of channels so it's easy for customers to get in touch. In 2021 we'll publish research with people who are digitally excluded about their experience of energy services now and expectations for the future.

Energy UK Vulnerability Commitment

The energy trade body has developed the Commitment to help customers feel comfortable in disclosing vulnerabilities and have access to services that meet their needs, including:

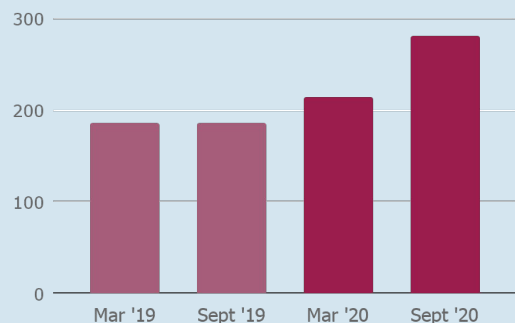
- A standard rate phone line for all customers, and a freephone number for those in financial hardship.
- At least one alternative form of communication.
- Making paper versions of bills available where this is appropriate for a customer's needs.

This should ensure customers are able to access services that work for them. We're recognising the initial 14 members of the commitment with points in our **star rating**. We'd expect all major suppliers to be able to sign up to these commitments.

Debt levels are rising

We estimate that **2.1 million households are currently behind on their energy bills**, 600,000 more than in February.² This can lead to formal 'arrears' with a supplier, which happens if a bill is unpaid for 3 months or more. This is a lagging indicator, but our analysis shows a large increase.²⁰

Proportion of gas and electricity accounts with arrears and not in a repayment arrangement (per 10,000 accounts)



At the same time, the proportion of customers with an arrangement to repay has remained flat, suggesting many will need to set up payment plans in the coming months.²⁰

In September customers in arrears owed an average of £760 for electricity and £605 for gas. Customers need access to good support and payment plans to manage debts of this scale.



Case Study - consumer service (Sept 2020)

Samir is on Universal Credit. He told his supplier he needs a payment plan for a £500 bill, but they refused.

Suppliers have been providing additional support to customers during COVID-19⁷, alongside their obligations to treat customers fairly and provide support for people in debt.

In our tracker survey, we asked people who'd fallen behind on bills or struggled to top up in the last 6 months and spoken to their energy supplier about what help they received:



38% were given information about organisations that could give them support or advice about managing bills.



32% agreed a repayment plan for what they owed. This is based on a discussion of their income and outgoings.



25% of customers with credit meters were offered a payment holiday. Ofgem estimates that suppliers gave £300m in support to 800,000 customers by mid-July²¹



43% of people on prepay were given short term extra credit to keep them on supply.



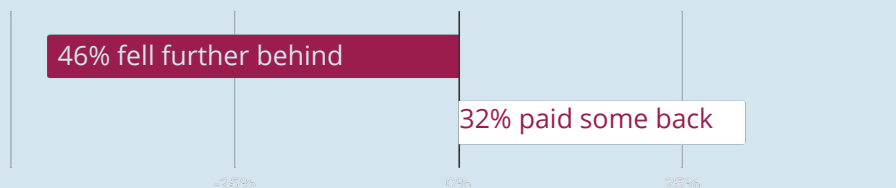
59% said the support options they were given were helpful, although 16% said this wasn't the case.

This demonstrates the value of this support how important it is that suppliers continue to offer it to customers.

Helping people in debt

The support options available can help customers manage their finances if they get in touch with their supplier. But between March and September only around 6 in 10 people (62%) in payment difficulty had spoken to their supplier. Most of these had asked for help, with just 16% being contacted by their supplier to offer help.¹ The longer it takes customers to ask for help, or for suppliers to get in touch, the more debt builds up.

We asked people who were behind on energy bills before the pandemic how this has changed since²



To avoid this, customers must know about the help that is available and suppliers need to proactively offer help to customers they see falling behind.



60% of suppliers had information about coronavirus support on their website, and around half of those had it linked on their homepage¹⁹

Ofgem recently put in place rules which put more onus on suppliers to contact customers in debt at an early stage, set up a payment plan based on a discussion about ability to pay, and review repayments to ensure they're working.¹³

People who told us they are behind on energy bills are also struggling to pay for other key household bills², including:

- 62% on water bills and council tax
- 50% on rent
- 48% on broadband

We've called for all sectors to put in place support for people who are struggling. In energy, the measures to support consumers are generally better than what is available in some other sectors. However, there are still some areas which could be improved.

Some prepay customers will need more support than their supplier is able to offer in order to keep on supply. They might be able to access grants or fuel vouchers, though demand for these is very high. Earlier in the year Ofgem's Energy Redress Scheme made £10m available to help prevent self-disconnection.²² This was a welcome step, but is unlikely to be sufficient.

We **recently called for more government support** to keep people on supply this winter. This could take the form of further funding for voucher schemes, or targeted financial support for customers at most risk. Since then some has been made available in England through the £170m Covid Winter Grant Scheme²³ for families with children struggling to buy food or heat their homes.

Government should monitor the situation closely and provide more support if necessary. As COVID-19 debts are likely to impact people for years to come, we've also called for government to coordinate support over the longer term.

Longer term impacts of energy debt

We expect higher debt levels to persist as the economy recovers from the effects of the pandemic. This will lead to some extra risks for consumers.

Customers on credit meters with a debt are unable to switch supplier until they have paid this back. Unless suppliers offer them cheaper tariffs, they are likely to end up on higher default rates and take longer to pay back what they owe. Prepay customers with a debt up to £500 can switch, but in practice this is only successful in a small number of cases.²⁴

Some people may consider moving to prepay to manage their debt repayments. Their supplier must always ensure it's a safe way to pay, so they can access their meter, have top up shops nearby and that they can manage their top ups.



63% of prepay customers repaying a debt self-disconnect each year, compared to 28% who aren't²⁵

New Ofgem rules will mean suppliers have to monitor self-disconnection and offer support, including reviewing repayment rates.¹³

For some people, prepay will not be appropriate or safe, and currently a small number use deductions from their benefits to pay for energy instead. We think use of this payment method may increase as more people move onto Universal Credit, and we're carrying out research on the experiences of people on deductions that will report in 2021.

If people consistently fail to make payments and don't engage with their supplier, their company can get a warrant to install a prepay meter. This can be a traumatic experience and add cost for people, so Ofgem protections limit the costs and prohibit installations for especially vulnerable people.²⁶

With smart meters, suppliers can remotely switch people to prepay. This can mean fewer opportunities to check that prepay is a safe option. We've seen cases where people aren't aware they'll be switched and are left off supply.



Remotely switching customers in debt to prepay has increased by almost 50% over the past year²⁰

Suppliers need to have robust processes to ensure customers are given the information and tools to top-up in advance. It may require a visit to the customer's home if they don't respond to other communications.

When customers don't engage with their suppliers, they may, as a last resort, use a 'default repayment rate' to collect debt.



Suppliers who used default rates ranged from £6 to £28 per week, depending on the circumstances²⁰

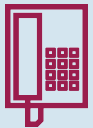
As these rates aren't based on ability to pay they can put people at higher risk of going off supply. Suppliers should set these rates at a reasonable level and monitor them closely.

Recommendations and best practice



Protect people from inaccurate bills

- Ofgem should ensure all suppliers follow back billing rules to help protect customers from bill shock, taking compliance and enforcement action where required
- Suppliers should proceed carefully with billing changes and learn the lessons from issues faced by similar projects in order to protect customers



Make it quick and easy for customers to get in touch

- Telephone services remain essential for many households, and suppliers must ensure they are easily accessible
- Ofgem should update its stance on telephone services²⁷ to set clear expectations for suppliers as they adopt more 'digital first' approaches



Support people who are struggling to pay

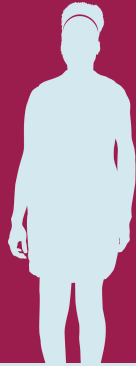
- Suppliers should continue to offer the additional support agreed with BEIS throughout the pandemic
- Government should ensure there is adequate support for consumers this winter, including additional funding for more fuel vouchers or targeted financial support for those most at risk if necessary.
- In the longer term, Government should take a coordinated, cross-sector approach to deal with the long term impacts of debts built up during the pandemic.

To help suppliers support their customers we regularly produce good practice guides. Relevant guides for this report include those on **supporting customers during COVID-19** and on helping people in debt, which will be published shortly.

Our 2019 report **Supply and Final Demand** found that people often don't expect support from their supplier and can find debt communications offputting. To help overcome these issues we ran a **hack day** to design better debt and complaints letters with suppliers and other organisations in the energy sector. The outputs include top tips and sample letters.

Indicative customer journey

The right help early on avoids issues later



Jan has been furloughed since March, and her partner has lost their job. She knows they are using more energy than usual as they have been at home more during lockdown. She is worried she won't be able to pay the next bill on their reduced income.

Jan is able to find some useful information on her last bill and on her supplier's website. She has some more questions so decides to call her supplier. She is able to get through to the correct specialist advisor quickly.



Jan discusses her situation with the supplier, who tells her about the support that's available to pay her bills. They agree she can reduce her payments until she goes back to work full time, and set up a repayment plan for the amount that will be owed. They also provide her with information about debt advice services to help with her other finances.



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