



Fuel Poverty Action
C/O Jubilee Debt Campaign
Grayston Centre,
Charles Street, London, N1 6HT

Tuesday 24th March 2015

Dear Sir/ Madam

Initial submission in response to “Energy market investigation: Updated issue statement”

We are writing in response to your invitation to respond to the Updated Issue Statement, released on the 18th February 2015. In particular, we would like to respond to Theory of Harm 4, which highlights “that there are a significant number of domestic energy customers who are relatively inactive” and recognized the need to “understand the barriers to engagement and switching faced by customers”.

Fuel Poverty Action is a grassroots campaign group that works with people directly affected by fuel poverty to take action together for a fairer, affordable, clean and sustainable energy system. We work with pensioners, disabled activists, migrant groups, and housing campaigns to challenge the policies and practices of the Big Six energy companies and the government which mean that we can't afford to heat our homes and access the energy we need for daily living. As well as campaigning activities, we also provide information, advice and practical support to people affected by fuel poverty and energy debt. We hold regular workshops on energy rights with community groups.

Due to our close working relationship with the demographic groups outlined in paragraph 136, we feel we can offer the investigation a useful insight into some of the barriers to switching for two of the groups - social housing tenants and people with English as a second language.

Barriers to Switching

Social Housing Tenants

Fuel Poverty Action predominately works with tenants living in social housing in London, however we also work with a small number of groups across the rest of the UK. The most disturbing issue that has come to light from working with these groups over the last year has been the proliferation of ‘energy monopolies’. In this case, we define ‘energy monopolies’ as when tenants are locked-in to buying energy from a single provider for a period of time by their landlord. The worst scenario we have seen so far has been a group of social tenants (as well as

private tenants and homeowners on the same estate) locked-in for a total of 40 years with [redacted], receiving estimated bills as high as £1000 per month.

These 'energy monopolies' appear to be increasingly common for social tenants on new build housing estates where Combined Heat and Power plants or district heating systems are installed. The social tenants who have contacted us have all expressed dissatisfaction that they are unable to switch energy provider to look for a cheaper deal. The social landlords and the deals they have negotiated on behalf of their tenants with the energy companies do not appear to be the best deal they could have come to. The former regulator Ofgas set out three types of action that social landlords might want to take on behalf of their tenants (including social landlords setting themselves up as energy suppliers and selling energy to their tenants at cost price), but as far as we know, none of these have been adopted in the examples we provide.

For this submission, we are providing evidence from three groups of social housing tenants that have approached us for assistance. There is a fourth group – [redacted] who have been locked-in to a contract with [redacted] – however, we were unable to compile the evidence in time.

We believe this issue to be far more widespread, affecting social housing tenants in new build estates across the country. However, as a small grassroots organization with limited reach, we do not have the resources to connect with these groups across the country.

Evidence

Here we present evidence, including first hand written statements, from social housing tenants who have been 'locked-in' to buying their energy from a single energy provider.

[redacted] council, [redacted], with [energy supplier 1]

As part of a Private Finance Initiative with [redacted] council which has seen the 'regeneration' of the estate, the district heating and hot water system has been leased to [energy supplier 1] for 40 years. Residents must purchase their heating and hot water from [energy supplier 1]. Some social tenants were threatened with possession proceedings if they did not allow [energy supplier 1] to connect them to the district heating.

"Basically residents leaseholders and tenants were not informed before hand that we were tied into this contract [with [energy supplier 1]] for 40 years. Apparently it started off as 25 yrs the same as the [redacted] contract [contractors for the PFI scheme]. Somewhere along the line [the council] requested them an extension and this is how they have it for 40yrs. We had no choice in the matter. I have repeatedly requested a transfer of supplier via email, meetings and phone call. After every interaction I make sure I state this. After a 261 signature petition and a members enquiry [the council] looked into if they could get out of this

contract [X] but apparently they cannot? Strange as [the council] were the ones to ask for extension but yet cannot back out? My experience has been traumatic along with the rest of the estate. Since moving into this property May last year I am still experiencing problems. Intermittent hot water has been a problem throughout and after petition etc they have finally admitted that there is a problem with our block in particular being starved of hot water because they cannot balance the system. We have had to endure this all over the winter with still no end in sight. 3 weeks ago they said it would be 4-6 weeks and yesterday its still 4-6weeks! Christmas day the whole estate never had heat and hot water for the majority of the day. They refused to give compensation. This was when residents had enough and we started the petition etc. If we were not chained to this contract many, if not all of the residents would move supplier. Even the private residents are livid and complaining about the poor service. Please if there is anything that can be done to reverse this situation we would be grateful. Some residents are getting £1000 estimated monthly bills!!"

[X] Housing Association 1, [X], with [energy supplier 2]

A [document from energy supplier 2] informs tenants: " You will need to sign an Energy Supply Agreement with a company called [X]- in order to get heating and hot water. You will not be able to get heating and hot water without this agreement."

[X] Housing Association 2, [X], with [energy supplier 3]

Heating and hot water is provided by [the energy supplier] to the 105 residents in "affordable homes"; residents on the estate who are freeholders and leaseholders do not have to purchase their heating and hot water from [energy supplier 3]; they are able to select an energy company of their choice. After a dispute with some tenants over energy arrears, all social tenants on the estate were forced from credit meters onto Pay As You Go smart meters, again against their wishes. [X]

Daily standing charge 19.850p
Current price 7.160 pence/unit

"We are hoping that they will make equal price as our private neighbours who are paying 3.50 p/kWh compared to what we are paying, 7.16 p/kWh. As social housing tenants we would like to be treated fairly rather than discriminated from free holders and lease holders [who are not locked in to buying their heating and hot water from [energy supplier 3]] as we have a reason to be housing association tenants including people with disabilities. We hope whoever is responsible for that to take this into consideration. It costs £50 for hot water and heating in our home [four bedroom semi-detached house] for 9 days that is the reality.

We would be happy if someone could help us to change the supplier while [housing association 2] doesn't let us do this.

We been living in that house four years now and for all this years, none of us ever used the bath although my husband needs to as a disable person and my mum as well as she is 75yrs. That is effecting our freedom and making me argue with my family "don't let hot water running it will cost etc..." We have no rights to change the supplier. I want to explain that, after all this high amount we are paying, in a lower temperature we still need to cover our self with blankets. From the very first bill we have received, we started to chase them but, nothing has happened yet."

People with English as a Second Language:

Switching energy providers can be particularly difficult for people who are not native English speakers. People who have English as a second language said they find the pricing structure particularly difficult to understand and cannot tell if a tariff is cheaper than the one they are already on. They don't believe there are any real savings to be made from switching and feel that most energy companies are offering the same prices. This highlights how complex the switching process is.

People who have English as a second language have also reported difficulties switching over the phone due to language barriers and do not know where to find cheap deals on the internet that are easy to understand and access.

Evidence

Here is what some of the ESOL students we work with have to say about their experiences of energy companies and switching, or attempting to switch:

"You can change but when you change they give cheap deal, then a few months after the bills go up."

"It's difficult to go on to the internet and try to understand the difference."

"There is too much information. It's like you have to wear two pairs of glasses to understand."

"I think it's hard to change company. I will waste a lot of time on the phone and I know someone will make it hard for me"

"Changing energy companies is a hassle because I have to phone to the companies but my English so poor. Some time I can't understand what does they said and then I have to phone them many times because this kind of phone call is so expensive."

"Changing energy companies is hard because you don't know which one is good".

"Changing energy companies is hard because all company same prices. It isn't easy to change because it takes time."

"Changing energy companies is not worth the hassle because at the end of the day the prices are the same."

"Changing energy companies is easy but don't want to change because may not be cheaper."

"Changing energy companies is hard because we can have problems with the documents."

"Changing energy companies is a hassle because we have pay money and if we have change the flat or house, this money we have lost."

"Changing energy companies is hard because I don't know where to find a good deal."

"Changing energy companies is easy but it's not worth it, I don't trust them."

"Changing energy companies is hard because it's very expensive and I change from bill to key."

"Changing energy companies is hard because some companies has monopoly since long time and people don't really trust another company. People scared to make mistake if they change company and pay more."

"I had a bad experience of change. I changed my telephone provider some years back and I ended paying more with the new provider."

Further information or evidence

As we are a grassroots organisation, we have limited funding and resources to compile the submission over a short period of time. Therefore, if you require any further information or evidence regarding the barriers to switching for these groups, we will be more than happy to assist.

If you would like to discuss any of the points we have made in more details, please do not hesitate to get in contact.

Yours Sincerely,

Izzy Koksall
Coordinator, Fuel Poverty Action