Energy poverty (Vulnerable consumers) in EU

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Austria

✓ No formal legal definition of consumer vulnerability in the energy sector. But various social security and energy laws specify a number of criteria to assess vulnerability, including low-income, chronic illnesses, sickness, old age, unemployment status etc. There are also official income thresholds, and if a household falls under these, they are considered vulnerable.

✓ Regarding disconnection, there is a qualified reminder procedure in place to protect customers.
Belgium recognizes in law both vulnerable consumers and energy poor consumers.

Belgium has a number of policies to tackle consumer vulnerability and energy poverty:

a) Strict processes and technical regulations regarding the disconnection of consumers.
b) The DSO is the supplier of last resort/social provider;
c) Pre-paid meters may be installed;
d) A payment plan can be proposed to consumers;
e) (Higher) subsidies for energy efficiency measures are foreseen;
f) Energy audits for consumers;
g) Guaranteed electricity supply of 10A is provided;
h) Social tariffs exist and are applicable under certain conditions;
i) Social welfare payments or payment of bills by social welfare.
A definition for “vulnerable clients” – household clients who receive allowances for electricity, heat or natural gas under the Act on Social Assistance. Families with an average income below what is defined as the minimum level are entitled to receive social support for heating-related expenses under the Winter Supplement Program.

Energy providers must establish special procedures for providing information related to consumption and termination of supply to vulnerable clients.
Croatia

✓ “Customers under special protection” - household customers who have received a decision from a social welfare institution conferring their status of vulnerable customer have the right to special protection.

✓ Protected customers are entitled to the supply of a specific volume of electricity in case of emergencies.

✓ The supply of protected customers in emergencies shall be carried out by the guaranteed supplier.
Energy poverty is related to the condition of consumers who may be in a difficult position because of low income, as evidenced by tax declarations in conjunction with their professional status, marital and health status.

The measures that have been enforced for the protection of vulnerable customers are the following:

- reduced prices on electricity tariffs introducing a special tariff and
- financial incentives for participating in a plan for setting up a Photovoltaic system at their house, with the net-metering method.
The Czech Republic predominantly deals with energy poverty and consumer vulnerability in the energy sector through social welfare policies.
DENMARK

✓ Does not contain specific definitions of vulnerable consumers or energy poverty.

✓ Matters related to vulnerability and energy poverty are dealt with via the social welfare system.
ESTONIA

✓ The concepts of energy poverty or consumer vulnerability in the energy market are not defined in law.

✓ There is protection from disconnection (interruption) of electricity during winter in the Electricity Market Act.
Similar to a number of other countries, Finland refers to social welfare (the living allowance or income support) to assist those who have insufficient income to make ends meet.

In cases of arrears, the delivery of electricity may be cancelled if the consumer has considerably neglected payments.
According to the legislation, energy vulnerability is defined as cases where a “person that experiences difficulties in their household to have access to the necessary energy supply to satisfy the basic necessities, because of the inadequacy of their resources or the conditions of their habitat”.

Among the measures in place to protect vulnerable consumers, there is the option to have access to a social tariff for electricity and natural gas.
GERMANY

✓ Does not have a definition of “energy poverty” that is clearly established by law.

✓ Energy poor consumers are those who have to dedicate a higher than average portion of their low income to energy spending (high spending/low income approach), or all those consumers who cannot pay their bills because of their social standing.

✓ In terms of social policies, there are both financial assistance initiatives and other policy instruments to alleviate energy poverty.
Energy poverty is defined as a situation in which consumers are in a difficult position because of their low income, along with their professional status, marital status and specific health conditions, to cover expenses for the supply of electricity or gas, as these costs represent a significant proportion of their available income.
Vulnerable consumers - protected customers

To obtain the status of a protected customer due to social circumstances, the person needs to be:

- Receiving old age pension;
- Entitled to receive social security benefits;
- Receiving housing benefits;
- Receiving long term care benefits;
- Receiving regular child protection benefits;
- A foster parent; or
- In the national programme aiding those who cannot fulfil their obligations from residential loans.
ICELAND

✓ There is no legislation that includes clauses about energy poor/vulnerable households.

✓ There is no social tariff scheme in Iceland and fuel poverty is not a prevalent social issue.

✓ In cases where low-income individuals are unable to pay for electricity or heating, their local social services may be in direct contact with the supplier to pay the bill as determined on a case by case basis. There are, however, three subsidy schemes that apply to the end-users of electricity.

✓ In case of non-payment, electricity suppliers can disconnect the electricity supply. Some companies extend the stipulated time limit prior to disconnection for vulnerable consumers to give them time to seek consult or assistance from their local welfare services.
Regarding vulnerability in the energy market, a consumer is defined as vulnerable as “a household customer who is:

✓ (A) critically dependent on electrically powered equipment, which shall include but is not limited to life protecting devices, assistive technologies to support independent living and medical equipment, or

✓ (B) particularly vulnerable to disconnection during winter months for reasons of advanced age or physical, sensory, intellectual or mental health.

Customers in category (a) cannot be disconnected for non-payment and customers in category (b) cannot be disconnected in the winter months for non-payment.
“Vulnerable consumers” are clients involved in public service activities, i.e. public or private structures dedicated to activities of assistance, such as hospitals, rest homes, prisons and schools.

“Social bonus” (a social support programme) - is an annual discount of the electricity bill (annual amount fixed in the free market or in the enhanced protection regime) that depends on the number of household members.

Furthermore, for domestic clients in a condition of either grave social, economic or physical discomfort, the regulator has put in place bonuses and discounts.
The concept of “protected consumer” is defined in Electricity Market Law and it provides benefits for certain groups in society:

- Low-income families or persons;
- Large families; and
- Families who care for a disabled child or a person with a disability.
Vulnerable consumers can be defined as natural persons in electricity sector, to whom according to the laws can be applied the social maintenance and (or) social services.

The list of vulnerable consumers or groups of vulnerable consumers and what kind of guaranties could be applied to such vulnerable consumers or groups of vulnerable consumers, related to electricity supply, are defined by Government or designated institution.
There is no legal definition.

Consumers who are struggling to pay their energy bills may benefit, under certain conditions, from a guaranteed minimum supply of energy.
There is no legal definition.

Vulnerable consumers are supported through social policy measures.

Consumers that benefit from energy benefits include low-income families, households with a person with a disability, families on social assistance or special unemployment benefits, and persons on a pension or a carer’s pension.
The concept of vulnerable customers is based on health, not on socio-economic status.

Household consumer for whom ending the transport or the supply of electricity or gas would result in very serious health risks for the household customer, or a member of the same household of the household customer, is regarded as vulnerable and thus disconnection is not permitted.
✓ Vulnerable consumers are protected through general welfare services or social security.
✓ There is no regulated price offered to this group of consumers.
✓ If a consumer does not have a contract with a supplier, the distribution system operator is obliged to be the supplier of last resort.
A vulnerable consumer in the context of the energy sector is “a person who is granted a rent supplement and is a party to a supplier or complex agreement with an energy enterprise and whose place of residence is an energy supply destination”.

Under the Energy Law Act, the payment of the energy supplement to vulnerable energy consumers is the responsibility of the government administration. The energy supplement is paid by the local authorities at the request of the vulnerable consumer, and the vulnerable consumer has a right to installation of a prepayment meter.
✓ „Vulnerable consumers" who have a contract in their own name, exclusively for domestic use in permanent housing.

✓ Consumers may also be eligible if their annual income is below a defined level of income that is set and fixed by law, and takes into account the total income of the household (per capita).

✓ All suppliers are able to apply the social tariff discount to the beneficiaries of any of the social payments mentioned above.
Vulnerable consumer is defined as “the final consumer belonging to a certain category of households’ clients, which for reasons of age, health or wage can be at risk of social marginalisation and because of this they can benefit from measures of social protection and other kind of benefits”.

Vulnerable customers are also defined as household consumers with low income within the limits laid down in the Government Ordinance.

Local authorities have the obligation to ensure that necessary services for survival (like water, electricity, natural gas) are provided to people considered as “in need” or “marginalised”.

Regarding disconnection, vulnerable consumers are not disconnected during winter season.

There is also a supplier of last resort for households.
✓ Vulnerable household electricity customer means a household electricity consumer whose vital functions are depending upon the offtake of electricity or who suffers from a severe disability and uses electricity for heating.

✓ To establish the condition of consumer vulnerability with respect to electricity supply, the consumer needs to provide the distributor of electricity with the relevant documents to prove that their vital functions depend on electricity or that they suffer from a severe disability and use electricity for heating.
There is no official definition of energy poverty.

Vulnerable client is a household customer who due to his financial circumstances, income and other social circumstances and living conditions cannot use an alternative source of energy for domestic use, which would cause the same or lower costs to the minimum household use.
Spanish legislation recognizes the concept of energy poverty within Law on the rehabilitation, regeneration and renovation of urban spaces; this law repeatedly mentions the concept of “energy poverty”.

The electricity price for vulnerable customers is set at 25% below the Voluntary Price for Small Consumers.
Vulnerable consumers are persons who permanently lack ability to pay for the electricity or natural gas that is transferred or delivered to them for non-commercial purposes.

It is stated in the Electricity Act, if the circumstances give reason to fear that a failure to supply electricity would cause considerable personal injury or substantial property damage, transmission shall not be interrupted.
Vulnerable consumer as “one who is significantly less able than the typical consumer to protect or represent their own interests and or significantly more likely to experience detriment, or for that detriment to be more substantial“.

Fuel poverty, a household is considered to be fuel poor if it has above average required energy costs, and if meeting its required energy costs would push it below the poverty line (defined as 60% of median income).
The definition of consumer vulnerability has developed from one that was predominately based on consumer characteristics such as age, low income or disability to a broader definition that recognizes that anyone can find themselves in vulnerable circumstances and that consumers can move in and out of vulnerable situations.
A vulnerable consumer could be defined as:

✓ "A consumer, who, as a result of socio-demographic characteristics, behavioral characteristics, personal situation, or market environment:

✓ is at higher risk of experiencing negative outcomes in the market;

✓ has limited ability to maximize his/her well-being;

✓ has difficulty in obtaining or assimilating information;

✓ is less able to buy, choose or access suitable products;

✓ is more susceptible to certain marketing practices.”
Consumers in arrears with electricity bills

Consumers who sometimes (or often) could not pay their electricity bills on time were less likely to disagree that bills provided by their electricity company were easy and clear to understand (33% vs. 19% for respondents without payment difficulties) and they were more likely to disagree that it was easy to compare tariffs offered by their electricity company (42% vs. 27%, respectively) or tariffs offered by different electricity companies (47% vs. 38%, respectively).

Respondents who had the biggest difficulties in paying their electricity bills appeared to be the least likely to be aware of policy measures aimed at protecting people with payment difficulties (17% compared to 22%-25% across other groups).
Older consumers (65+), consumers with lower educational attainment and economically inactive consumers

✓ Respondents with these socio-demographic characteristics tended to perform worse, on average, than other respondents in the behavioral experiment.

✓ Switching rates were lower among over 65 year-olds, economically inactive respondents and respondents with lower education attainment.

✓ Stakeholders referred to older consumers as being the victims of pressing sales tactics, in particular in face-to-face scenarios.
Credulous or excessively trusting consumers

In the consumer survey, respondents were asked to indicate their agreement with a series of statements concerning their level of trust in electricity company advertising, pre-contractual information and presentation of tariffs. Respondents who indicated they had a high level of trust in these communications also tended to be more likely to provide the incorrect response in the marketing material exercise. Further, trust and credulity was also found to play a role in whether respondents were able to correctly identify and switch to the cheapest deal in the “stay or switch” experiment; those exhibiting a high level of trust tended to choose the cheapest deal less often than those who were more cautious.
Consumers who did not compare deals in markets were found to be more susceptible to marketing practices. In the current study, respondents in the behavioral experiment who reported they had not actively searched for alternative offers from different electricity companies, also tended to choose more expensive offers in the experiment.
Consumers who are situationally vulnerable

Consumer vulnerability does not have to be linked to a personal characteristic of the consumer. Some consumers may be situationally vulnerable, for example, due to their place of residence.
Awareness of policy measures aimed at protecting people who have difficulties in paying their energy bills, by country
Awareness of policy measures aimed at protecting people who have difficulties in paying their energy bills, by respondent characteristics
Proportion of consumers who benefit from a social tariff or other assistance from their electricity company, by country
Proportion of consumers who benefit from financial assistance from the government to cover energy costs, by country
Proportion of consumers who benefit from financial assistance from the government for general living expenses, by country.
Thank you for your attention 😊

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