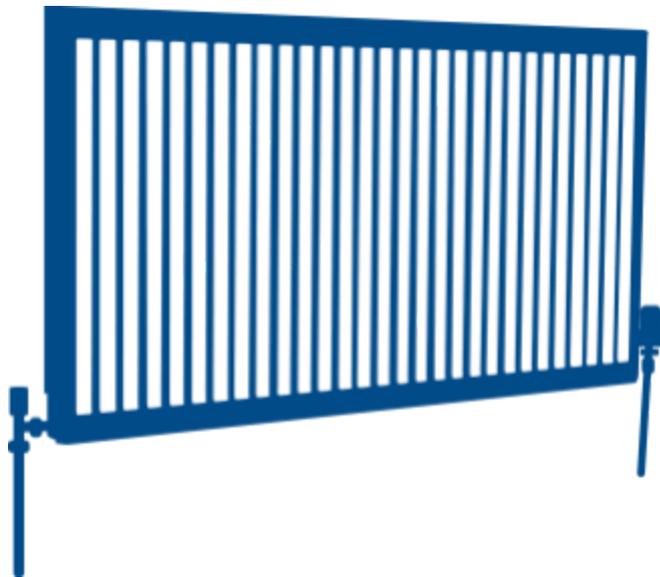


# Living without mains gas



Delyth Jewell  
Zoe Guijarro  
Craig Salter  
Kate Morrison

citizens  
advice

citizens  
advice  
scotland

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# Introduction

Not everyone heats their home in the same way. While the majority of people living in Great Britain are able to heat their homes using mains gas, 16% of households in Great Britain rely on non-gas fuels for heating.

“Off-gas” is the term commonly used to refer to households who use either electricity or an alternative fuel, such as liquid petroleum gas (LPG), heating oil or solid fuel (coal, coke or wood), to heat their homes. This latter group of fuels is commonly referred to as “unmetered fuels”, and are usually delivered to people’s homes by individual suppliers.

Households in rural areas are particularly likely to use unmetered fuels for heating (34% of rural homes in England use heating oil, 46% in Wales and 32% in Scotland).<sup>1</sup> Households without mains gas are more likely to be in fuel poverty; 26% of off-gas households in England are in fuel poverty, compared with 10% of those using mains gas.<sup>2</sup> In Scotland, 36% of off-gas households are in fuel poverty, compared with 30% that use mains gas,<sup>3</sup> whilst in Wales, 49% of off-gas households, compared with 23% of households that use mains gas.<sup>4 5</sup>

The selling of unmetered fuels is not currently regulated by the Office of Gas and Electricity Markets (Ofgem), and so consumers have few legal protections against bad practice in areas such as service standards, support for vulnerable consumers and provision of information. This means there is a high risk of consumer detriment remaining unaddressed, with particular impacts on vulnerable consumers.

To better understand how this market is working for consumers, Citizens Advice (England and Wales) and Citizens Advice Scotland commissioned research with households using unmetered fuels as their primary source of heat from Beaufort Research.<sup>6</sup> More details on the background to this project, the methodology and final reports can be found in the full research reports, available on our website.

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<sup>1</sup> Figures taken from Citizens Advice Scotland and Citizens Advice research into off-gas consumers, to be published in 2017.

<sup>2</sup> English Housing Survey 2013

<sup>3</sup> Scottish Housing Condition Survey 2015

<sup>4</sup> Welsh figures taken from Citizens Advice Scotland and Citizens Advice research into off-gas consumers, to be published in 2017.

<sup>5</sup> These fuel poverty figures use the full income measure of fuel poverty, which defines a household as being in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income on all household fuel.

<sup>6</sup> While some households were surveyed that rely on electric heating, the samples are not representative of electric heating users as a whole. The most useful and reliable conclusions that can be drawn from the research relate to unmetered fuels.

Supplementary in-depth interviews were conducted by trained Citizens Advice staff and volunteers in local offices in England and Wales (the local offices are named in the 'Acknowledgements' section of this report). All "case study" quotations listed in this report are taken from these interviews, and not from data compiled by Beaufort Research.

Previous research by [Consumer Futures](#) (2012) and the [Office for Fair Trading](#) (2011) showed that some off-gas consumers were struggling to pay for fuel, especially in periods of very cold weather. Our research found lower levels of consumer concern. However, it is important to note the significant differences between these surveys. The previous surveys were conducted when the exceptionally cold winter of 2010 and high oil prices and service disruptions were fresh in people's memories. By contrast, our research took place after two much warmer winters, and at a time when oil prices were comparable with mains gas. It is inevitable that this will have impacted on the results of the survey.

However, price per unit is not the only important aspect of consumer experience in the energy market. This short report outlines the challenges consumers face in the unmetered fuel market in relation to cost, convenience and consumer rights, and makes recommendations to suppliers, trade associations and governments, to ensure that these consumers are better served.

# Cost

Paying for unmetered fuels can be much more complicated than paying for a gas supply to your home. Consumers are restricted in their ability to shop around, and prices can vary by type of fuel, time of year, commodity prices and country. Consumers can rarely choose their own payment method, and many also have to meet a minimum order value to ensure a delivery. The extent to which consumers can choose a supplier to suit their needs is dependent on the type of fuel they use, where their home is located, and how savvy they are at asking for discounts, either of their own initiative, or as part of a larger consortium (such as oil clubs).

These issues mean that consumers can struggle to get a good deal, and to manage the payments for their fuel when they need it.

## Variance in consumer prices

There are several different supply models for unmetered fuels, depending on the nature of the fuel and how it is transported. This means that there is variation between the level of contact and type of contract between households and suppliers. For example, most Liquid Petroleum Gas (LPG) customers enter into a contract with one supplier for fixed periods of time (usually two years), and prices are capped for this period. Customers who rely on heating oil or solid fuels for heating, however, are instead able to shop around for the best price when they need fuel. This variation has direct implications for when and how these off-gas customers shop around, and, ultimately how much their fuel costs.

Prices charged by heating oil and solid fuel suppliers can vary widely from month to month and from county to county. The mystery shopping phase of this research, found that prices quoted by oil suppliers for 1,000 litres of kerosene differed by as much as 40%.<sup>7</sup> Price fluctuations for heating oil are roughly similar to those seen for petrol and diesel, as it is linked to a volatile market based on the price of crude oil, and varies to a greater or lesser extent by season. Heating oil in particular tends to be more expensive in the winter months. All of this makes it extremely difficult for consumers to properly budget for their heating costs, and can cause financial strain. As is the case for other fuels, the onus is on unmetered fuel consumers to shop around to find the best price. This can be both challenging and time-consuming given the lack of independent comparison websites and supplier pricing information covering these fuels.

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<sup>7</sup> The quotes (including VAT) ranged from £230 to £315 in Wales, £240 to £305 in England, and £256 to £341 in Scotland. All quotes were given within 2-3 weeks of one another, between 13th January and 1st February 2016.

The variation in prices was more marked amongst solid fuel suppliers. Different suppliers provide fuel in different weights, which makes comparing prices and finding a good deal time consuming and difficult. The price differential was also noticeable at the nation level with consumers surveyed in England estimating an average spend of £86 a month on fuel. In Wales this figure rose to £95 a month and in Scotland to £105 a month<sup>8</sup>.

**“The unpredictability of oil prices means annual costs can fluctuate wildly. [I am] unable to pay monthly ... Winter payments [are] high - [it is] difficult to budget.”**

*Heating oil customer, Suffolk*

## Payment methods

There is a lack of choice when it comes to payment options available to off-gas consumers. Our research found that LPG suppliers usually offer consumers the chance to spread the cost of their fuel, and offer the option of payment using Direct Debit. By contrast, the majority of solid fuel and heating oil suppliers require customers to pay for their fuel in full on delivery. 72% of unmetered fuel customers in England say that they pay in full on delivery, compared with 63% in both Wales and Scotland.

**“I had a cash loan but had trouble paying it back on top of ongoing bills and day to day living costs”**

*LPG user, Carmarthenshire*

## Minimum orders

We also found that many suppliers require customers to place minimum orders. This often requires households to buy fuel “in bulk”, which can be challenging for those on lower incomes. For heating oil, this is usually 500 litres or above. LPG suppliers said that extra charges are placed on orders below a set amount (usually 1,000

**“It used to be possible to buy just one sack of coal at a time. Now coal merchants insist you buy at least 500 cwt.”**

*Solid fuel customer, Reading*

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<sup>8</sup> These figures should be interpreted with caution. Figures are based on consumers' own estimates. They include some households using electric heating, where heating costs are higher. This can have an impact upon variation between nations, as the cost of electricity is higher in some areas, namely the Highlands of Scotland. It is also possible that the difference in spending could reflect varying fuel usage levels, and varying levels of household energy efficiency.

litres). Fluctuating demand and transport costs also have a bearing on costs and some LPG suppliers charge a premium for tank hire.<sup>9</sup> Equally, some customers living in very remote areas can be charged a premium by suppliers to provide adapted tankers which can reach their homes.

### **Ymlaen Ceredigion, Ceredigion**

Ymlaen Ceredigion was an initiative in Aberystwyth, supported by Ceredigion County Council, which ran until 2016 and aimed to reconnect people with their energy usage through organising events, training, energy coaching, and research projects.

Between October 2015 and April 2016, Ymlaen Ceredigion piloted an energy coaching project, which involved visiting 39 off-gas homes in the Ceredigion area. At the end of the project, 44% of participating households had decreased their energy usage by 10% or more. More information can be found [here](#).

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<sup>9</sup> Prices quoted for tank hire varied from £40 and £67 per annum. No obvious differences emerged between the three nations.

# Convenience

## Deliveries

Unlike mains gas and electricity customers, unmetered fuel customers are reliant on physical, periodic fuel deliveries. Heating oil, LPG and solid fuels are all delivered to people's homes (these can be individual or shared tanks in some cases). Customers are reliant on suppliers' delivery schedules and good weather conditions. If roads become impassable due to snow and ice, households sometimes go without fuel. This means that people could be left without heating at the precise time when they would need it most. This is a particular concern for vulnerable customers. Whilst some suppliers do offer the option of making emergency deliveries when required, this is not a guaranteed service<sup>10</sup>. Equally, some customers living in very remote areas can be charged a premium by suppliers to provide adapted tankers which can reach their homes.

**"I live very rurally, alone, in a detached house. I get gas delivered quarterly to my property. I find this very expensive and difficult to deal with ... On occasion I have ran out of gas and I found this very frightening and I was cold. I now have regular deliveries to stop this from happening but it causes me a lot of worry."**

*80 year-old LPG customer, Powys*

## Ease of switching

The ability of consumers to switch energy suppliers is an important element of consumer empowerment in the energy market. Most heating oil and solid fuel customers are not bound by a contract and can, in theory, switch supplier as often as they please. Customers in the unmetered fuel market appear, however, to be just as unlikely to switch as those in the gas and electricity markets.

This project found that, on average, 43% of off-gas consumers have switched supplier.<sup>11</sup> In England, consumers said they had switched supplier an average of 1.6 times since moving to their current home, compared with a frequency of 1.2 for Welsh consumers, and 0.8 for Scotland. This would suggest that there are high levels

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<sup>10</sup> Two suppliers told our mystery shoppers that they would never make emergency deliveries.

<sup>11</sup> The highest level of switching is in England, where 49% of households said they had switched, and the lowest is in Scotland, where 33% said they had switched supplier.

of switching amongst a minority of off-gas consumers.<sup>12</sup> It is important to note, however, that off-gas customers in areas with fewer suppliers may be unable to switch due to a lack of choice in the local fuel supply market.

Given the significant variation found in switching levels, there is an even greater need for suppliers and trade associations to ensure that all consumers, but especially those unlikely to switch, are made aware of their rights under customer charters, and that these rights are honoured by suppliers. Because many people may be or feel stuck with their current supplier, complaints systems should be easy to navigate, and provisions for vulnerable customers should be adequate. Governments might also want to look at ways in which they could increase the rate and opportunities for switching supplier in the off-gas market, such as developing more price comparison websites for this sector.

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<sup>12</sup> Caution is advised when interpreting these figures as they include some electric heating households. It has not been possible to separate these results by fuel type.

# Consumer rights

## Vulnerable consumers

Unmetered fuels households miss out on various consumer protections, including guaranteed supply for elderly or vulnerable customers. Mains gas and electricity suppliers are required by Ofgem to keep a Priority Services Register (PSR). This is a list of households where at least one resident is elderly, or has a vulnerability (such as a chronic health condition). Suppliers are not permitted to cut off the heating in winter for households who are on their PSR - even if bills have not been paid. This safety net is not available for households who rely on unmetered fuels for their heating. This means that elderly or vulnerable off-gas consumers have to rely on friends, family and neighbours if a delivery is not made - or simply go without fuel to heat their home, food or water.

These households also have an absence of protections for being in debt to a supplier, no requirement for a supplier to provide them with energy efficiency advice or other relevant information and there is no access to redress through an independent body if things go wrong.

### **The 'Cold Weather Priority Initiative', Cheshire**

The Federation of Petroleum Suppliers (FPS), UKLPG and Certas Energy came together in 2015 to identify ways of mapping and helping vulnerable off-gas consumers. In an early pilot, the bodies made use of methodology developed by the Cheshire Fire and Rescue Service (CFRS) when the latter were conducting fire risk identification. The trade associations are currently working with CFRS and the Chief Fire Officers' Association to develop national data sources, and aim to launch a further pilot in 2017. More information is available [here](#).

## Complaints

The ways in which suppliers deal with complaints varies hugely. It is very rare for unmetered fuel suppliers to have formal complaints procedures in place. None of the heating oil suppliers contacted by our mystery shoppers, in any of the three nations, mentioned that they had a formal procedure for dealing with complaints. Similarly, only one LPG supplier across England and Wales said that they had formal procedures. By contrast, all 4 LPG suppliers in Scotland said that they had a

complaints procedure. Very few solid fuel suppliers told us that they had an official procedure for dealing with complaints, though some did refer consumers to their website.

**“They are small companies and you don’t want to annoy them otherwise you don’t get a quick delivery.”**

*Solid fuel user, Camarthernshire*

The research found that very few survey respondents said that they had made a complaint against a supplier - the highest proportion was in England (13%), and the lowest in Wales (8%). The figure for Scotland was 10%. The Citizens Advice service

considers that the absence of regulation means that suppliers and trade associations themselves need to ensure that consumers have adequate means to lodge complaints. Trade associations for each fuel type should look at whether the suppliers they represent are providing this service.

## Codes of conduct

One of the principal findings of our research was how low awareness was of the existence and purpose of trade associations. Trade associations are industry membership bodies funded by suppliers that represent the views of members to governments and promote best practice. The biggest trade associations for unmetered fuels are UKLPG (for LPG suppliers), the Federation of Petroleum Suppliers (or FPS, for heating oil suppliers), and the Solid Fuels Association (or SFA, for solid fuel suppliers).

The FPS and UKLPG both have voluntary documents which set out minimum standards of service which consumers should expect from their suppliers. UKLPG has a [Vulnerable Persons’ Protocol](#), and a Code of Practice, though the latter is not accessible free of charge and must be purchased from its website. The FPS has a Code of Practice (aimed at suppliers) and a [Customer Charter](#) (aimed at consumers). The charter is available free of charge from its website. However, it is not clear what action trade associations take when suppliers do not adhere to these codes and charters, and it is not clear how widely these codes of practice are publicised, and low levels of awareness among consumers may be an issue.

The SFA runs both an Approved Coal Merchant Scheme and an Approved Wood Fuel Merchant Scheme, though both focus on the quality of fuel provided by suppliers, as opposed to preventing consumer detriment.

During our mystery shopping, none of the suppliers in any nation made any specific reference to provisions they have for vulnerable consumers (though many did offer

to provide informal help, such as calling the customer before making a delivery). This is concerning in the case of LPG and heating oil suppliers, since it would suggest that not all employees of these suppliers were aware of their obligations under the FPS Customer Charter and UKLPG's Vulnerable Persons' Protocol.

# Recommendations

## Recommendations for suppliers

- Suppliers should make sure their customers are aware of their rights including those that fall under any relevant trade association code or charter the supplier is signed up to. This should be done at the point the customer purchases fuel from them.
- Steps should be taken to improve and standardise the support which is available for vulnerable consumers reliant on unmetered fuels. Trade associations and suppliers should work together with consumer groups and other key stakeholders to develop and implement a support system, learning from the PSR model in the regulated energy sector. No vulnerable customer should be left without heating.
- Suppliers in Scotland should address the fact that off-gas consumers in Scotland spend more on their fuel than their counterparts in Wales and England. A first step would be to investigate to what extent higher spending is caused by higher prices, and to what extent it is caused by higher energy use.
- Suppliers must improve or develop formal complaints procedures. These should be advertised to consumers through a variety of channels, not just online.

## Recommendations for trade associations

- Trade associations must improve the visibility and accessibility of any codes of conduct or charters that are in place to protect consumers. These codes and charters should be policed adequately and trade associations should make clear what steps are taken to sanction suppliers for non-compliance. Any codes or charters should be available free of charge and in a variety of formats.
- Trade associations who do not have any codes or charters which guarantee consumer protections should work with other associations, as well as consumer organisations, to develop, implement and advertise these documents.
- Trade associations should require their members to provide and advertise formal complaints procedures as part of their membership agreement.
- We would encourage trade associations to emulate the recent 'Cold Weather Priority Initiative' pilot in [Cheshire](#) and to develop relationships with emergency services in communities across the UK to identify vulnerable customers, so that fuel deliveries can be prioritised.

## Recommendations for governments

In the absence of regulation of the off-gas market, the lack of protections for vulnerable consumers remains a concern. We recommend the following steps:

- The UK and devolved governments should seek to increase off-gas consumers' awareness of the schemes and grants which could assist them with heating costs. Governments should ensure that their fuel poverty and affordable warmth support programmes are not constrained by geography, but are delivered equitably. More specifically:
  1. The Welsh Government should consider strengthening links between Resource Efficient Wales and local schemes, such as the Club Cosy initiative in Ceredigion, and consider providing direct financial support for these schemes;
  2. The Scottish Government should ensure that its mapping service, which identifies fuel poverty/affordable warmth service providers, is available to national and local government and agencies; and make increasing awareness of available schemes among off-gas households part of the design of the new Scottish Energy Efficiency Programme (SEEP);
  3. The UK Government should monitor delivery of the Help to Heat scheme to remote and sparse rural areas specifically, not just all localities defined as rural under the ONS definition. We also expect that introduction of deemed scores and limits on gas boilers will help delivery to off-gas rural households.
- The UK and devolved governments should make sure that incentives supporting renewable energy technologies, such as Feed-in Tariffs, are available to and taken up by all consumer groups, including those low income households.
- The UK and devolved governments should work, with suppliers and others, to overcome barriers to delivering energy efficiency measures to off-gas consumers in fuel poverty, both as part of future ECO and within other devolved government schemes.
- The UK and devolved governments should look at further ways to support home energy coaching projects for those struggling with paying for their energy, such as that piloted by [Ymlaen Ceredigion](#) in Ceredigion in 2015/16.

# Acknowledgements

This project would not have been possible without the work of Sarah McDonough, Fiona McAllister and Catrin Davies at Beaufort Research, as well as the close collaboration of colleagues in national and local Citizens Advice offices in Wales, England and Scotland. As well as those named on the title page of this report, the project has drawn on the expertise of colleagues including William Baker, Andy Regan, Alun Evans, Liz Withers, Helene Hayes, Sarah Pope, Peter Broad, Justin Gutmann, as well as local Citizens Advice offices in Wales and England.

The local Citizens Advice offices which participated in this project were:

<b>Wales</b>	<b>England</b>
Caerphilly Blaenau Gwent	Bridport and District
Carmarthenshire	Daventry and District
Ceredigion	Dorchester, Sherbourne & Districts
Cylch Conwy District	East Herts
Denbighshire	East Lindsey
Gwynedd	Mid Suffolk
Merthyr Tydfil	Norfolk
Monmouthshire County	Northumbrian
Powys	South Worcestershire
Swansea Neath Port Talbot	Suffolk West
Ynys Mon	West Berkshire
	West Lindsey

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