

Energy Action Scotland Advisors Toolkit

Chapter II. Paying for energy

1. Understanding Fuel Bills
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5. Regular Payment Schemes
6. Fuel Direct



*"Working to end fuel poverty and achieve warm,
dry homes for all."*

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Understanding Fuel Bills

Fuel bills may be calculated using an estimated meter reading or a reading provided by a customer or a meter reader. This information will be shown on bills as follows:

- 'E' next to the reading means the supplier has *estimated* usage
- 'C' next to the reading means the supplier has used the reading provided by the *customer*.
- 'A' next to the reading means the supplier has used an *actual* reading provided by the meter reader.

When a bill arrives it is important to check that the fuel supplier has used the correct meter reading when calculating gas or electricity usage. Reading and keeping a record of meter readings on a regular basis will help keep track of how much fuel is being used. It may also prevent a large debit or credit balance building up on a fuel account.

Fuel bills may also show a Standing Charge, but this will depend on the tariff and fuel supplier. Where there is a standing charge, it is usually shown as a daily amount and is the same regardless of the amount of fuel which has been used.



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Paying by Direct Debit/Standing Order

A direct debit is an instruction from a customer to their bank or building society which allows the fuel supplier to collect varying amounts from the customer's bank account.

For those with bank accounts this is often the simplest way to pay bills. Most fuel suppliers give discounts for paying by direct debit, as it is easy to set up and payments are automatic and so there is no need to remember when to pay.

Direct debit and standing order allow the customer to spread the cost of electricity and gas evenly over 12 months, with the same amount deducted from their bank account every month. It is important that the monthly payments are sufficient to cover the consumer's annual consumption, as under-estimated payments will lead to a debt building up on their account.

Payments can be re-assessed up or down during the year if consumption levels change.

Advantages:

- ✓ Budget for bills with equal monthly payments across the year – avoiding larger winter bills
- ✓ Bills will be paid automatically and on time
- ✓ Secure and time efficient – don't need to post cheques
- ✓ Direct debit charges are generally cheaper when compared with standard credit, in fact it is often the cheapest tariff
- ✓ Choice of payment date.

Disadvantages:

- ☒ The customer will need to check their meter regularly to ensure that their consumption doesn't exceed likely payment over the year - otherwise the customer will have to make up any shortfall at the end of the year or negotiate higher payments for the next year
- ☒ There is also a danger that bank charges may be incurred if there are insufficient funds to cover the agreed payments.

This payment method suits:

- ✓ Those with regular incomes who find monthly budgeting easier and know roughly how much energy they use in a year.



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Quarterly billing

With this system fuel is used and paid for later – in other words the fuel is supplied on credit.

Quarterly billing allows consumers to pay for fuel after every 3 months. A bill is sent for the fuel which has been used, or is estimated to have been used during the period that has just elapsed. This bill must be paid promptly.

A wide variety of payment options are available, including cheque and Switch/debit card.

Advantages:

- ✓ The customer only has to think about bills when they arrive
- ✓ Always have access to fuel, assuming that the bills are paid
- ✓ Only pay for fuel after it has been used.

Disadvantages:

- ☒ It may be difficult to budget because of the large difference in winter and summer bills
- ☒ Problems can arise with estimated bills if the meter is not read.

Things to bear in mind:

- ! It is important to make sure that fuel bills are based on actual, rather than estimated, meter readings to ensure that the consumer is paying enough to cover their ongoing usage
- ! Be aware that the price is usually higher with quarterly bills than with direct debit, but some suppliers may offer a discount for prompt payment.

This payment method suits

- ✓ Households whose income is regular and stable and which easily accommodates fluctuating bills.



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Prepayment meter

Prepayment meters are special meters which only provide fuel after it is paid for. These meters are operated by tokens, cards or keys that have to be either bought or 'topped up'. A prepayment meter can help prevent any debt building up on an account. It also enables repayment of an outstanding debt.

If a consumer has a fuel debt they should discuss an affordable level of repayment with their supplier before the meter is set. If there is a problem, contact the fuel company first. If the issue is not resolved, Citizens Advice (formerly Consumer Direct) can be asked to help. Contact them on **08454 040506**.

There is generally an emergency temporary credit facility on the meter in case the supply runs out.

Advantages:

- ✓ The consumer pays for fuel as it is used
- ✓ Enabling them to budget effectively to suit their means
- ✓ There are no large bills to worry about
- ✓ Meters can be set to recover debt gradually.

Disadvantages:

- ☒ The customer may have to visit specific outlets to make payments, but some suppliers can offer the facility to top up at home via the internet
- ☒ Consumers need to understand how standing charges and debts are collected through the meter so that they know the available credit for ongoing use after topping up
- ☒ Potential self-disconnection - electricity or gas may cut off because consumers are unable to make payments, although if credit runs out there is limited emergency credit before supply is disconnected. (It's also worth noting that some suppliers offer key-operated prepayment meters with a 'friendly non-disconnect period'. This type of meter won't disconnect a supply at a time when shops are unlikely to be open, for example overnight).

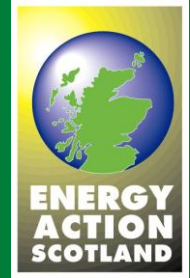
Topping-Up:

PayPoint (www.paypoint.co.uk) and Payzone (www.payzone.co.uk) payment outlets for topping up are usually located in local newsagents, shops and petrol stations. Card and keys can usually be topped up at most Post Offices (www.postoffice.co.uk).

Customers should only top up at official outlets and must beware of scams, including doorstep sales. See: www.top-upsafe.com

This method generally suits:

- ✓ People who don't find accessing charging outlets difficult
- ✓ Customers who want to either avoid fuel debt or manage an existing debt.



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Regular Payment Schemes

Consumers may be able to pay for fuel in equal amounts every week, fortnight or month. Payment books are suitable for people without a bank account and can help with budgeting.

Quarterly statements are usually provided and show how much fuel has been used and how much has been paid.

At the end of 12 months, a 'settlement' notification is supplied to the customer. This will show either a credit (and a possible refund) or a shortfall and that money is owed to the supplier.

Advantages:

- ✓ Can help budgeting by spreading out payments evenly across the year

Disadvantages:

- ☒ If actual use is less than was estimated, the fuel company has the benefit of the extra money until the end of the twelve months – next year the customer can negotiate a reduced payment amount
- ☒ However, it relies on being able to travel to payment outlets, such as a bank, Post Office or a PayPoint outlet, on a regular basis
- ☒ Travel costs need to be taken into consideration and there may be a surcharge to pay for using the payment book, making it more expensive than direct debit.

Not all fuel suppliers offer this form of payment.

This payment method suits:

- ✓ People without a bank account
- ✓ People who find it difficult to budget monthly or quarterly.



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Fuel Direct

Fuel Direct (also referred to within the Department for Work and Pensions as 'third party deductions from benefit') is an option available to those in receipt of certain benefits – Income Support, Income-based Job Seekers Allowance, Pension Credit or Employment and Support Allowance - and who have an existing fuel debt. It is generally considered a payment method of last resort for customers who qualify and who have major problems in budgeting.

It is necessary to secure the agreement of both the Department for Work and Pensions and the fuel supplier.

Fuel Direct involves the direct deduction from benefit for both current consumption and for debt recovery. A standard debt recovery rate is set at a 'per week' rate although this can double if there are debts for both gas and electricity.

Contact your local Department for Work and Pensions (DWP) for further information.

Advantages:

- ✓ This scheme should protect people from disconnection
- ✓ The scheme ensures that further debt is unlikely (however if the amount set for ongoing consumption is too low for the consumer's usage needs further debt may build up)
- ✓ Unreasonably high debt repayments are avoided – there is a maximum repayment level per debt set by the government
- ✓ The cost of fuel is spread equally throughout the year, as with the regular payment scheme.

Disadvantages:

- Money is taken directly from benefits, which reduces the household's budgeting flexibility.

This payment method suits:

- ✓ Customers who receive benefits
- ✓ Those with a fuel debt
- ✓ Those who have difficulty budgeting or who may forget to pay a bill on time
- ✓ Customers without a bank account.



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