



ENERGY POVERTY AND THE VULNERABLE CONSUMER IN ROMANIA AND EUROPE

Energy poverty, generally defined as a question of affordability (*fuel poverty*), but also of households' poor access to modern means of energy, is a widespread phenomenon across the European Union (notably fuel poverty), the post-communist space being particularly affected by it. Energy poverty is an important factor of social exclusion, as the unaffordability of the energy bill or the lack of access to energy can hinder basic rights, such as the educational and socio-economic development of individuals, deepening poverty in its wider sense. In Romania, the phenomenon is not marginal, but it is underestimated and inconsistently approached from both a conceptual and a legal perspective. Therefore, it is targeted by improper policies. Starting from the prevailing discussions regarding the concept and its most suitable working tools, the report evaluates Romania's legal and public policy framework and its impact on the broader social context. Based on the assessment of relevant statistical data and on a field research conducted in three counties (Bacău, Hunedoara, Teleorman), the report singles out a set of weaknesses and provides public policy recommendations.

The research comprises over 100 pages, the main results being presented in the second part of this abstract. The public policy recommendations are presented below.

Public policy recommendations

Authorities must **significantly adjust the heating benefits**, as short-term social protection measures, taking into account the extremely low amounts and the poor targeting of the vulnerable population. **In addition, there must be a transition towards non-financial measures for the improvement of household conditions and of consumption efficiency.**

The definition of the concept of *vulnerable customer* should take into account all the five key factors determining vulnerability: the trading behavior, the market design, the structural and access factors, the consumer's situation, the socio-demographic factors. The considerations related to age, health and income included in the current definition partly reflect the last two categories, but the set of policies derived from this definition are insufficient to effectively combat the phenomenon.

Under the coordination of ANRE, the Action Plan on energy poverty imposed by the legislation in force must be developed. This Action Plan must represent the mission of a team reuniting representatives of all state institutions concerned with the issue of poverty and energy efficiency. The plan must comprise three types of remedies: financial remedies (through the social assistance system or direct remedies), non-financial remedies (for example: non-disconnection) and energy efficiency (structural) remedies. Furthermore, it is important for the national action plan to clarify the methodological tools used to collect and cumulate relevant data for measuring the phenomenon, so that all the institutions involved in data processing (the National Institute of Statistics, the Ministry of Labor, the local authorities) have a unitary practice. Presently, the large discrepancies between the data provided by different institutions make it difficult to identify the real extent of energy poverty.

Energy supply regulations should be changed so that vulnerable customers with low incomes may also benefit from non-financial aids (for example: avoiding disconnection during the cold season, spreading out payments depending on the customer's ability to pay, etc.).

For customers benefiting from social tariffs, it is necessary to rethink the framework for granting this facility by introducing the supplier's obligation to warn the consumer after a certain period of recurrent excess of the social consumption blocks 1 and 2 or by adjusting the consumption blocks so that they are adapted to the consumer patterns of the beneficiaries.

The Ministry of Labor must develop **the criteria based on which a household customer can be classified as a vulnerable customer due to health or age**, the procedure by which a citizen can be classified this way and the manner in which this is brought to the attention of the energy or natural gas supplier. This way, the non-financial facilities provided by the legislation in force could actually be applied. The Ministry of Labor must also clearly specify in the law on the granting of heating benefits the types of supporting documents that may be required by the municipalities of the potential beneficiaries, and at the same time the ministry must require the prioritization of data acquisition by administrative means from other institutions, rather than directly from the applicants. Such measures taken to reduce red tape would also eliminate the stigmatization of beneficiaries and would reduce the significant exclusion error that we identified in the data analysis. At the same time, this would reduce the administrative costs for granting the benefits and would also reduce the risk for potential beneficiaries to abandon the process because of red tape. Obviously, such a measure would be facilitated by the urgent introduction of heating benefits into the computerized system of social benefits.

As for the access to electricity, it is necessary to develop an action plan at Government level in collaboration with local authorities (prefectures, county councils, municipalities).

Given the complicated procedures for concluding energy supply agreements, it is necessary to simplify such procedures, by digitizing the process where possible, and by eliminating the supporting documents concerning the ownership of households, as well as the Connection Technical Evaluation Report. At the same time, in order to avoid the aggravation of the digital divide in communities with precarious Internet access, the role of social assistants should be revised in view of their proactive intervention to guide marginalized households in accessing their rights. At the same time, the people's openness towards counseling creates an opportunity for suppliers to use community mediation services to select optimal rate plans, to solve connection and payment issues, etc.

Last but not least, we recommend **to correct the large differences between the benefit amounts depending on the type of fuel** (especially between gas/electricity and firewood), thus creating more equity between heating methods. We also **recommend to eliminate the conditioning of electricity-based heating benefits by the absence of another heating source**, so that the electricity benefit can be granted as a supplement.

Results or the research: specialized literature, European best practices, statistical data, field survey

At the level of the EU, it is estimated that up to 150 million Europeans are experiencing energy poverty, so the phenomenon is relevant for all Member States. Although not yet established by law based on a common definition, the concepts of energy poverty and vulnerable consumer are increasingly present in European debates, and the approaches are becoming increasingly institutional. The lack of a common understanding of the phenomenon leads to difficulties in exchanging best practices between countries and to the impossibility to measure the phenomenon

based on the same indicators or to assess the effectiveness of intervention measures based on common criteria.

Beyond its conceptual relevance to Romania and to the European states as a whole, energy poverty has a material relevance in what the quality of life is concerned. The consumer is at the heart of the European energy policies and of the Energy Union as an active participant. The way in which vulnerable consumers are treated reflects the market's ability to offer a *fair share* to all consumers, which is an objective of the European internal market.

In Romania, the legal framework for energy poverty is provided by Law 123/2012, as the primary law, and by the ANRE regulations, as secondary legislation. **The primary law does not define energy poverty as a distinct term, but explicitly defines the vulnerable customer** as a limited category, being “the final customers belonging to a category of household customers who, due to age, health or low income, are at risk of social marginalization and who, in order to prevent this risk, benefit from social protection measures, including financial measures”.

From the perspective of public policies, **Law 123/2012 binds authorities, pursuant to the European requirements of the Third Energy Package, to develop a “national action plan for energy poverty”**. Beyond the vagueness of the law regarding the institutions responsible for this process (the Ministry of Energy or the Ministry of Labor), the action plan has not been developed so far, which means that the issue of energy poverty in Romania lacks the required strategic approach.

In the EU, the measures adopted to protect vulnerable consumers range from limitations on disconnections for non-payment (in most jurisdictions), to social tariffs, exemptions from certain components of the invoice, pre-allocated social benefits for paying energy bills, as well as free counselling on energy saving methods. In contrast, **in Romania, the only remedies that are actually applied for the protection of vulnerable consumers are financial remedies, in the form of heating benefits or social tariffs for electricity**. Alternatively, **the Third Energy Package developed by the European Commission recommends interventions through integrated measures: financial, non-financial and efficiency measures**. Financial facilities are currently granted only to vulnerable consumers classified in this category as a result of low incomes. In the European Union, even financial benefits granted to vulnerable consumers take on more sophisticated forms – see Figure 1.

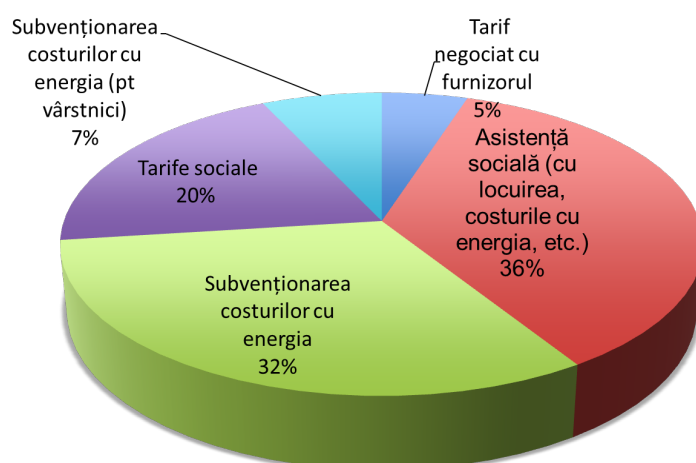


Figure 1: Share of financial measures for vulnerable consumers in the European Union (Source: Pye et al, 2015)

Legend:

Subvenționarea costurilor cu energia (pt vârstnici) 7%	Energy cost subsidies (elderly) 7%
Tarif negociat cu furnizorul 5%	Tariff negotiated with the supplier 5%
Tarife sociale 20%	Social tariffs 20%
Asistență socială (cu locuirea, costurile cu energia, etc.) 36%	Social support (housing, energy costs, etc.) 36%
Subvenționarea costurilor cu energia 32%	Energy cost subsidies 32%

Non-financial facilities are restrictively applicable only to vulnerable customers classified as such due to health or age. They are detailed in the energy supply regulations issued by ANRE, but no regulation developed by the state institutions with responsibilities in the field of social policy specifies the classification criteria for age or health related reasons. Consequently, these non-financial facilities are applied irregularly and with difficulty. The wide range of non-financial facilities applied in different jurisdictions across the European Union (see Figure 2) could also be a source of good practice for Romania.

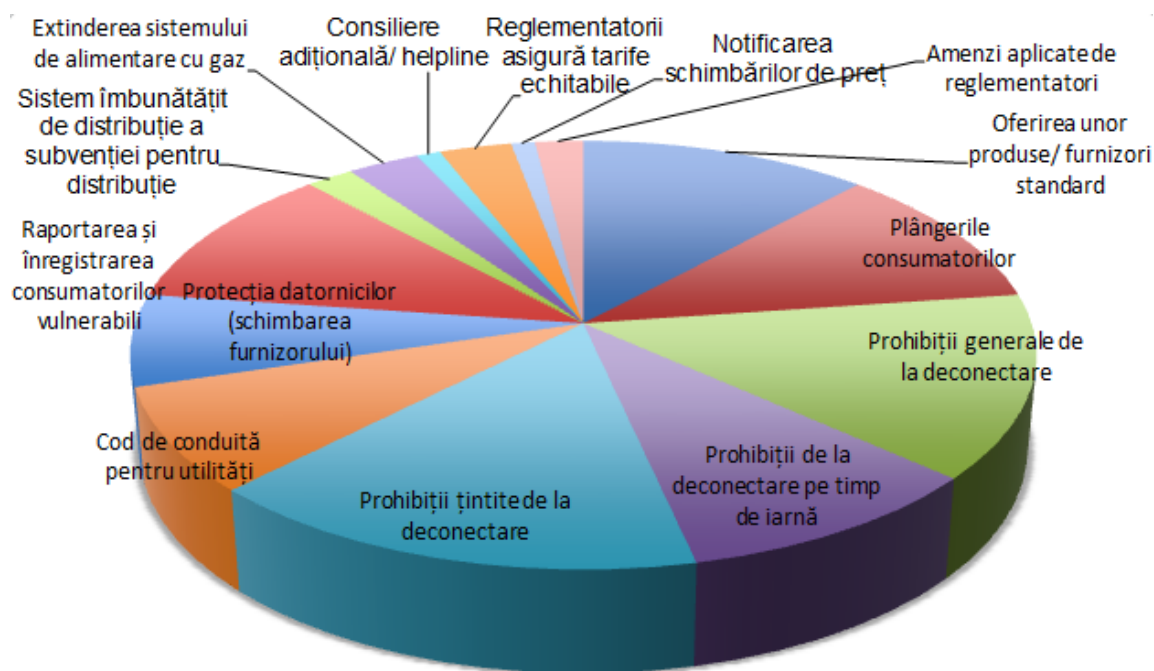


Figure 2: Share of non-financial facilities granted to vulnerable consumers in the European Union (Source: Pye et al, 2015)

Extinderea sistemului de alimentare cu gaz	Extension of the gas supply system
Consiliere adițională/helpline	Additional advice/helpline
Reglementatorii asigură tarife echitabile	Regulators ensuring fair tariffs
Notificarea schimbărilor de preț	Notification of price changes
Amenzi aplicate de reglementatori	Fines by regulators
Sistem îmbunătățit de distribuție a subvenției pentru distribuție	Improved subsidy distribution system
Oferirea unor produse/furnizori standard	Provision of default products/suppliers
Raportarea și înregistrarea consumatorilor vulnerabili	Reporting on and register of vulnerable consumers
Protecția datornicilor (schimbarea furnizorului)	Debt protection (switching suppliers)
Plângerile consumatorilor	Consumer complaints
Cod de conduită pentru utilități	Utility code of conduct
Prohibiții generale de la deconectare	Disconnection safeguards - general
Prohibiții țintite de la deconectare	Disconnection safeguards - targeted
Prohibiții de la deconectare pe timp de iarnă	Disconnection safeguards - winter

Moreover, the indicators broadly accepted in practice and literature for measuring the phenomenon and targeting the measures consider the relationship between income and energy expenditures at household level. In Romania, the only criterion used is income per household, generating an incomplete understanding of the phenomenon.

The discussion concerning energy poverty in Romania is intrinsically linked to low incomes. From this perspective, there is a tendency to exclusively associate energy poverty with poverty (measured in terms of small incomes), without considering energy poverty as an independent phenomenon, largely overlapping with poverty, but with manifestations and causes beyond the income issue. For this reason, both the public and the authorities come to associate heating benefits with social security benefits, hence the beneficiaries may suffer from various forms of marginalization in the community.

If the indicators most commonly used in Europe were to be applied in Romania¹, the number of Romanians considered in energy poverty would be up to 19%, while the heating benefits supported by the central budget presently cover less than 5% of the population – see Table 1. It should be noted that in certain cases municipalities grant additional benefits from the local budget, but there is no centralized reporting of such cases. At the same time, **about 12% of Romanians benefit from social tariffs for energy, but over 40% of them do not measure their consumption correctly**, so tariffs of this type put them at a disadvantage. Another phenomenon of energy poverty is the lack of formal access to electricity, as there are no current public policies to combat it. According to certain estimates in the report, given the number of households not connected to the electricity grid (estimated in spite of the conflicting and fragmented official data), the number of households built without a building permit (which, therefore, cannot be legally connected) and the data reported by suppliers concerning their losses and their own technological consumption, **about 460,000 households in Romania (7% of all households) do not have access to or have informal access to electricity**.

Table 1: The percentage of households identified as experiencing energy poverty in Romania (receiving heating benefits) compared to the percentage of households identified after applying the 2M, LIHC and M/2 indicators

Indicator	2013		2014		2015	
	% households experiencing energy poverty according to the indicator (of all households)	% overlap between the current beneficiaries and the ones identified based on the indicator	% households experiencing energy poverty according to the indicator (of all households)	% overlap between the current beneficiaries and the ones identified based on the indicator	% households experiencing energy poverty according to the indicator (of all households)	% overlap between the current beneficiaries and the ones identified based on the indicator
Heating benefits	7.4%	100%	6%	100%	4.6%	100%
2M	11.9%	14.86%	19%	33.33%	12.10%	17.39%
LIHC	12.3%	27.02%	16.9%	41.66%	9.90%	30.43%
M/2	12.2%	24.32%	18.7%	16.66%	13.5%	32.6%

Source: The data derive from the Family Budgets Survey (the National Institute of Statistics)

¹ Twice the national median share – 2M; Low income and high energy consumption – LIHC; hidden energy poverty – measured by M/2, half the national median.

The table below summarizes the number of Romanians experiencing energy poverty, according to various indicators, while mentioning that there may be overlaps between populations.

Table 2: Energy poverty indicators and associated figures

<i>Household category</i>	<i>Number</i>	<i>Source</i>
Dwellings with no electric wiring	287,434	2011 Census
Households benefiting from social tariffs ²	1,014,000 (approx.)	ANRE 2016 (compared to the total number of households according to the 2011 Census)
Households receiving heating benefits for electricity	8218	Ministry of Labor 2017
Households with informal access	422,615	Deloitte 2017
Total	1,732,267 (approx.) 23% of all households	

Note: There is a distinction between dwellings and households, the numbers differ according to statistical data, but we shall approximate that the number of dwellings with no electric wiring is the same as the number of households, in the absence of other data on this variable in the 2011 Census.

The quantification and control of energy poverty requires a continuous dialogue between the central and local authorities. There are **major deficiencies in the reporting of the data collected during field surveys at the level of municipalities and the centralization thereof** by a state authority compiling and making such data available to the institutional actors involved in the development of public policies. Except for the data concerning the amounts of benefits and the number of inhabitants in assisted households, other information provided by applicants as part of the heating benefit application does not reach beyond the municipalities. Heating benefits are the only social benefits not included in the SAFIR social benefits management information system, which poses difficulties for implementation and monitoring.

The field survey has shown that utility bill readings are limited to the amount due, most of those interviewed having difficulties in estimating their own financial needs in the household, all the more so energy consumption or energy expenditures. However, the vulnerable consumers interviewed are open to counselling, all the more as they prioritize the payment of energy bills to any other household expenditures (for example, they prefer to eat less than to be cut-off from utilities). **Where municipalities and social assistants play an active role in identifying and advising potential benefit recipients, the process is understood by the beneficiaries and perceived as being easy.** In fact, the lack of large overlaps between the counties experiencing poverty and the counties with the highest share of benefit recipients of the total population (Figure 3) demonstrates the lack of uniform implementation of the benefit granting process. However, in certain localities where the social assistance service is deficient, due to the lack of legislative clarity as to what supporting documents may be requested by municipalities, the bureaucratic burden for accessing the benefit is completely prohibitive for the most vulnerable consumers.

² As a conservative estimate, we assume the inclusion of households receiving heating benefits for fuel other than energy (currently, there are approximately 528,000 households receiving heating benefits other than for electricity heating).

Ajutoare pentru încălzirea locuinței, iarna 2016-2017

Ponderea beneficiarilor în total populație rezidentă

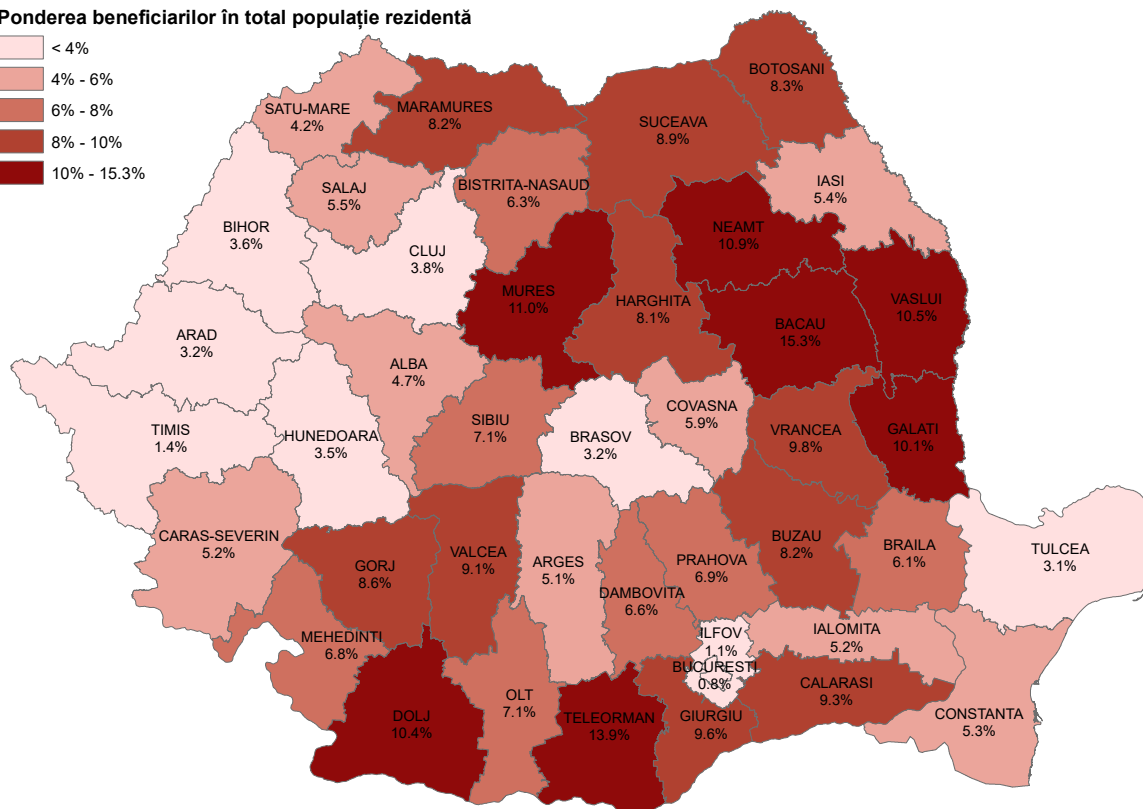
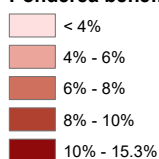


Figure 3: Share of heating benefit recipients in the total population of the county (Source: Processed from the Ministry of Labor, the National Institute of Statistics)

Ajutoare pentru încălzirea locuinței, iarna 2016-2017	Household heating benefits, winter 2016-2017
Ponderea beneficiarilor în total populație rezidentă	Share of beneficiaries in the total resident population

In financial terms, the principle of granting heating benefits is the percentage compensation of heating expenditures, depending on the income per family member, within the limit of certain average monthly consumptions. The data provided by Ministry of Labor and the data collected by the National Institute of Statistics show that **60% of the heating benefits budget covers heating with firewood, and the support for electricity-based heating represents less than 2% of the total amount.** Field records show that **firewood heating benefits are completely insufficient in relation to the needs**, amounting to maximum lei 50/month for beneficiaries with the lowest incomes, despite the fact that a family can pay up to lei 250/month for firewood. In addition, 56% of the amount of benefits granted goes to the poorest 20% of households. **Although almost a quarter of the benefit amount is directed to the poorest households, with an income of up to lei 155 per family member, the data show that many of households with such incomes receive no benefits** (the last column of Table 3, even considering a underweighting of the poorest households in the Family Budgets Survey). According to the data provided by the Family Budgets Survey, it concerns the low percentage of the population that falls within income thresholds but is currently receiving benefits. In the first three steps, **less than 30% of those who should receive benefits according to the adjusted income per family member actually receive such benefits**, but we cannot be certain whether this is because they are excluded (because they own assets that exclude them), or because they do not apply for the benefit. It is also alarming that more than half of the benefits granted amount to less than lei 15/month, and the administrative expenditure for granting the benefit is most likely higher than the benefit itself.

Table 3: Distribution of heating benefits (2014-2015)

Income threshold	% Thermal energy	% Gas	% Electricity	% Solid fuel	Total households (according to the Ministry of Labor)	% households (according to the Ministry of Labor)	% households receiving benefits (according to the Family Budgets Survey)
up to 155	8.81	17.09	1.8	72.31	177105	27.53	23.90
155.1 – 210	8.16	20.12	1.37	70.34	51158	7.89	34.30
210.1 – 260	9.98	21.8	1.92	66.3	45023	6.90	28.30
260.1 – 310	11.45	25.19	1.23	62.13	46284	7.06	18.20
310.1 – 355	12.4	24.99	0.95	61.66	39863	6.08	14.80
355.1 – 425	13.07	18.95	1.16	66.82	100544	15.25	12.20
425.1 – 480	15.43	22.59	1.1	60.89	59991	9.03	11.70
480.1 – 540	21.17	23.39	1.22	54.22	52735	7.81	8.00
540.1 – 615	30.06	22.79	1.32	45.83	50271	7.26	5.20
615.1 – 786	100	0	0	0	29710	3.17	2.20
786.1 – 1082	100	0	0	0	16226	1.96	0.80
TOTAL	19.3	19.19	1.32	60.18	668910	100.00	

Source: The data is provided by Ministry of Labor, Family and Social Protection and from the Family Budgets Survey 2015 (the National Institute of Statistics)

In fact, the total amount granted for heating benefits in 2017, despite the national incidence of energy poverty, is about 0.33% of the total budget of the Ministry of Labor for 2017, of approximately lei 36 billion, and is continuously decreasing – see Table 4, and only 536,080 households benefit from these facilities.

Table 4: The total amount granted for heating benefits within the period 2014-2017

		Lei	euro
bani	2014	231,180,000	52,540,909
	2015	207,830,000	47,234,090
	2016	160,400,000	36,454,545
	2017	124,570,000	28,311,363
	TOTAL 2014-2017	723,980,000	164,540,909

Source: Ministry of Labor

The structural measures for combating energy poverty imply both improving the efficiency of the housing fund and granting access to modern energy resources for isolated households. **Presently there is no assessment of the thermal insulation projects for apartment buildings, and no projects targeting individual dwellings have been implemented so far at central level.** Even for apartment buildings, the procedures are cumbersome and the program cannot be applied in many owners associations because of low incomes or the lack of trust among homeowners.

In the report, through a *customer journey analysis*, we demonstrate the differences between the contracting of energy supply services in Germany and Romania. **If a German consumer can conclude a new agreement based on a rate plan recommended exclusively online by neutral price calculators, within no more than 15 minutes, the processes for contracting energy supply services are particularly complicated on the energy market in Romania.** They involve formalities that go beyond the commercial responsibilities of suppliers, some of which concerning the granting of the building permit for a dwelling or the legality of a person's residence, rather than the process of providing a commercial service. Vulnerable consumers are particularly disadvantaged by this excessive bureaucracy.

The Center for the Study of Democracy (CSD) is a think-tank founded in 2006 within the Department of Political Science, Faculty of Political, Administrative and Communication Sciences, "Babes-Bolyai" University of Cluj, where it operates as an accredited research center. Over time, the CSD has developed research projects and analyses especially from a comparative perspective, with a major applied component, on topics such as: democratization, migration, ethnicity, civic education, institutional design or electoral behavior. Our collaborations involve institutions such as the Romanian Parliament, the Presidential Administration, local government institutions or civil society organizations. The research team of the center brings together teachers and researchers from the Department of Political Science of the Faculty of Political, Administrative and Communication Sciences, collaborators from other faculties within "Babes-Bolyai" University, professors from partner universities abroad and PhD students within the Department of Political Science.

The authors of this research are Corina Murafa, George Jiglău, Anca Sinea and Gabriel Bădescu, experts of the Center for the Study of Democracy. The research project was supported by Enel Romania. The project also includes issues from a study conducted by Deloitte Romania.