



Committee on
Fuel Poverty

Ofgem's Call for Evidence on Prepayment Rules and Protections

Comments from the Committee on Fuel Poverty

07 March 2023

Introduction

The Committee on Fuel Poverty (the Committee) is an advisory Non-Departmental Public Body sponsored by the Department for Energy Security and Net Zero (DESNZ). The Committee advises on the effectiveness of policies aimed at reducing fuel poverty, and encourages greater co-ordination across the organisations working to reduce fuel poverty.

The Committee welcomes the opportunity to comment on Ofgem's Call for Evidence on Prepayment Rules and Protections, which have some significant implications for households in fuel poverty. Our comments are limited to the areas which align most closely with the Committee's remit.

Q1: Does Ofgem have the right balance between principles-based regulation (Standards of Conduct and Vulnerability Principle) and prescriptive rules (SLCs, guidance) to guide suppliers when installing or remote switching to prepayment meters? Please explain.

It is a reasonable approach to have overarching principles, with prescriptive rules where the regulator sees only one 'right' way of doing things.

The Committee has seen no evidence that the balance between principles and prescription is the cause of any of the bad practices that were uncovered by The Times.

The shocking revelations in The Times are not reason to change this balance in order to 'guide' suppliers.

The problems that have come to light in the past couple of months are all problems that are associated with companies that are either not trying to treat their customers fairly, or are sufficiently lax that they are deliberately ignoring areas of high risk. For example, how agents installing prepayment meters under warrant are remunerated is an area of high risk for giving agents the wrong incentives. This is something at least long-established suppliers really should already know, given the doorstep mis-selling scandal of the early 2010s.

When things go wrong, the answer is not to call for the rules or guidance to be changed, unless they are clearly deficient. What matters is that the rules already in place are properly overseen and enforced by the regulator.

This includes understanding and agreeing who is responsible for what. It appears that Ofgem and the courts both assumed that the other was ensuring that information provided by suppliers when applying for court warrants had been properly assessed.

Q2: Should there be prescriptive processes and questions suppliers must seek to answer before progressing to PPM in the debt journey? Should this be set by Ofgem?

The most important issue is that the right outcomes are achieved, and that includes that forced installation of prepayment meters never happens where there is a vulnerable family member in a household. The requirement in SLC 0 to treat customers fairly, allied to forced PPM installation being a last resort, ought to be enough guidance. As noted above, we do not think the failings identified by The Times are because of a lack of clarity over what has to be achieved.

It may be that there is only one way in which the PPM debt journey can be safely navigated. If that is the case, we would agree that specifying it is the right course of action. However, if there are multiple ways to achieve this, we would not want to see suppliers hide behind a minimum interpretation of prescriptive rules, in a way that would lead to the regulator endlessly tinkering with the rules to iron out loopholes that might be identified by unscrupulous suppliers.

Q3: SLCs 27 and 28 require suppliers to only install PPM if safe and reasonably practicable and Ofgem published updated guidance on it in 2016. In your view is the term "safe and reasonably practicable" still sufficient or should this be changed?

Please see responses to questions 5 and 7.

Q4: Should we expand the list of vulnerable characteristics for which customers should never have PPM force-fitted or (if on a smart meter) forced-remote switched? If so, what additional characteristics should we include in our guidance, and why?

No response.

Q5: Should we require suppliers to assess financial vulnerability when assessing whether a PPM is safe and reasonably practicable? Please explain.

The Committee believes that the key aim here should be that households are able to heat their homes when it is cold (see also our response to question 11). One way of doing this might be to assess financial vulnerability before deciding whether it is safe and reasonably practicable to install a PPM.

However, for suppliers to accurately assess financial vulnerability, they would arguably need access to data currently held by government, maybe relating to benefits received and/or taxable income. It seems unlikely this information will be made available any time soon, making an accurate assessment of financial vulnerability very difficult.

The Committee therefore believes that a ban on PPM installation in Winter¹ would be the appropriate approach.

We believe that it is important that any action here does not lead to unintended consequences, such as an increase in disconnections due to debt (not currently prohibited, though see response to question 7), or an increase in suppliers seeking repayment of debt through the courts.

Q6: Should the licence or guidance more clearly clarify that installation of PPM under warrant is a 'last resort'?

It has long been understood that PPM installation under warrant should be a last resort. It should not have to be necessary to make it clearer. However, given what we have seen recently, we believe that adding this requirement to the licence is necessary, to ensure an even clearer deterrent against bad practice.

¹ Defined in the licence as the months October, November, December, January, February and March. See: <https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Supply%20Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf> page 48.

Q7: Our disconnection rules stress specific characteristics to be considered ahead of disconnection. Are these characteristics sufficient to account for the vulnerable circumstances being seen today?

There are very few disconnections for debt in Great Britain. Ofgem data shows that in 2021 (the most recent year for which data is available) there were no gas disconnections for debt, and 21 electricity disconnections for debt (20 by British Gas and one by E.on)².

The Committee welcomes this. In its view though, this is not because of the list of specific characteristics in the disconnection rules, but because Ofgem has actively discouraged disconnection for debt over a number of years.

In the Committee's view, the answer is not to revisit the list of specific characteristics, but to codify the generally accepted practice of several years and ban disconnections for debt entirely.

Q8: Do you consider that the rules for legacy and smart prepayment are appropriately aligned to ensure sufficient and equivalent protection, no matter the meter type? If not, what changes should be made?

No response.

Q9: Suppliers are responsible for the acts of their contractors and their compliance with relevant licence conditions, but should we consider specific guidance for suppliers on how they manage third parties involved in the installation of PPMs?

No. Energy suppliers should be better placed than civil servants to know how to conduct their commercial relationships and ensure both principles and detailed rules are complied with. Suppliers are not obliged to use third party contractors – they can retain work in-house or bring it in-house. If they choose to contract out, a supplier intent on treating its customers fairly is best placed to determine how best to ensure the contractor and its staff are properly set up and incentivised to deliver fully in compliance with the licence and in the best interest of its customers.

If special guidance on using contractors is needed, that would appear to suggest that there is a significantly higher risk in outsourcing these activities than conducting these activities in-house, and Ofgem should be considering whether outsourcing is appropriate at all.

² <https://www.ofgem.gov.uk/energy-data-and-research/data-portal/customer-service-data>

Q10: Are there any other proposals you have that would support PPM customers? Please explain the proposal and provide evidence if available.

We welcome all proposals that help ensure customers can heat their homes in Winter, and that energy companies never take actions which make it harder for people to heat their homes.

Our response cautions on seeking the regulations to become more prescriptive. Rather enforce better what already is expected.

However, the large number of customers forced to take PPMs in the last periods did raise concerns about whether supplier decisions were rushed this winter and if Ofgem acted quickly enough.

Does Ofgem think the present process could be proportionately improved to enable the regulator to identify and act on patterns that emerge before the last resort programmes are invoked?

Q11: Should we explore load limiting?

- - **a) What are your views on load limiting as an alternative to disconnection or self-disconnection? Would you support the introduction of load limiting?**
- - **b) Have you completed any work that considers this option? What are your views on the technical feasibility? Where possible, please include information on any testing and assurance completed to date and IT/DCC adapter support capability.**

Load limiting would appear to lead to indebted people being able to turn on the lights and keep the fridge on, but not to heat their home in winter. [A report published in 2022 by the Institute of Health Equity](#) notes: 'Homes that are cold due to fuel poverty exacerbate health inequalities. Cold homes can cause and worsen respiratory conditions, cardiovascular diseases, poor mental health, dementia, hypothermia and problems with childhood development. In some circumstances, health problems may be exacerbated to a degree that they may cause death.'

Load limiting, certainly in Winter, would exacerbate health issues, causing harm to people and putting further strain on the NHS. This is an unacceptable price to pay for allowing suppliers to limit their exposure to some additional debt.

The Committee does not support the introduction of load limiting, certainly for the Winter months.

Q12: Please provide any suggestions for actions that Ofgem can take to further drive the PPM smart meter roll out. Please consider all possible options, including, for example, restrictions on warrant costs recovery for traditional PPM installations

No response.

Q13: Should Ofgem try to reduce / eliminate the gap between PPM and direct debit tariffs, recognising that this is likely to result in non-PPM tariffs rising slightly? What would be the best way to achieve this, whilst ensuring that suppliers can recover their costs of serving PPM customers?

There is also an urgent need to consider whether it would help those in fuel poverty if the standing charge surcharge for prepayment metering was spread across all bill payers. In 2016, prepayment meter customers were the first to be protected by an energy price cap. Yet in the price cap announced for April, absent government support they would pay £45 more than their neighbours without meters. This group of low-income consumers also pay for their energy in advance, over a shorter period than many bill payers, and so are already disadvantaged because of their payment method.

Q14: Should we consider introducing a requirement for suppliers to provide PPMids to consumers? Should this be universal or provided in select circumstances? How might the costs be recovered?

No response.