Vulnerable consumers

in the retail energy market: 2017

ofgem

Making a positive difference
for energy consumers

Overview

A well-functioning energy market is accessible, inclusive, and responsive to the needs of all consumers, including those in vulnerable situations. This report presents a view of the extent to which vulnerable consumers are experiencing positive outcomes in the retail energy market. We have drawn on 2016 social obligations data, discussions with suppliers, consumer research and cases from the Citizens Advice Extra Help Unit. We examine trends relating to debt levels and debt repayment rates, prepayment meters, disconnections and support for vulnerable consumers in England, Scotland and Wales. We explain what we expect of suppliers now and in future, highlighting areas where we want to see improvement. We also provide examples of good practice. We welcome any feedback you have. Please contact vulnerability@ofgem.gov.uk

Context

As the energy regulator, our principal objective is to protect the interests of existing and future energy consumers. Consumers are at the heart of our approach to regulation and that includes consumers in vulnerable situations. Our Consumer Vulnerability Strategy 2013 explains our expectations for energy companies to identify and respond to these consumers.

Associated documents

Ability to Pay Principles, June 2010

Consumer Vulnerability Strategy, July 2013

Consumer Vulnerability Strategy Progress report, September 2015

Debt Assignment Protocol: CMA remedy implementation, February 2017

Decision on changes to monitoring the smart prepayment market, August 2016

Future of Retail Regulation – Standards of conduct for suppliers in the retail energy market, June 2017

Guidance on monitoring suppliers' performance in relation to domestic customers, updated August 2016

PPMs installed under warrant, July 2017

PPM price cap, July 2017

Priority Services Register licence modification decision, October 2016

Retail Energy Markets, August 2016

Foreword

This report is set against the backdrop of a rapidly changing retail energy market. The market is becoming more competitive, with new suppliers entering and using different business models. Between December 2013 and June 2017, the number of domestic gas and electricity suppliers increased from 24 to 60. However, many consumers are struggling to take advantage of the cheaper deals that are emerging, and they remain on more expensive default tariffs such as standard variable tariffs (SVTs).

The Competition and Markets Authority (CMA)'s Energy Market Investigation and our recent consumer research support these findings. We have just published an update on our work to extend price protection to more vulnerable consumers.

We are extending the prepayment safeguard tariff to 1 million more households this winter, to protect vulnerable customers from overpaying. These households will save around £120 a year on average.

Consumers in vulnerable situations are at the centre of our strategy to make the energy market inclusive for all. Throughout 2016 and 2017, we continued to strengthen protections for vulnerable consumers by:

- Deciding to introduce an enforceable vulnerability principle into the domestic Standards of Conduct. The principle makes it clear that suppliers have to do more to treat vulnerable customers fairly.
- Implementing principles-based changes to the supply and networks Priority Services Register rules to benefit more consumers and enable data sharing between networks and suppliers.
- Implementing the CMA's price cap to protect prepayment customers that benefit least from competition and typically do not have access to the cheapest tariffs on the market.
- Publishing final proposals to introduce measures to protect domestic consumers, including the most vulnerable, who are having a prepayment meter force-fitted under warrant to recover debt.

We are also making it easier for consumers, including vulnerable consumers, to engage in the market. We are trialling an online switching service targeted at consumers who have not engaged recently; we are making switching quicker and easier and we are supporting the smart meter rollout. We also decided to engage a third party organisation to manage voluntary redress payments from enforcement cases to maximise benefits for all consumers, including vulnerable consumers.

We play an important role in helping suppliers to understand what they are doing well and where they can improve. This report provides important commentary on the extent to which vulnerable consumers are experiencing positive outcomes in the retail energy market as a whole.

Alongside supplier data, on-the-ground insights from consumer groups and grassroots charities are more important than ever. This year, we introduced an arrangement to improve information sharing on consumers' experiences with Citizens Advice and the Ombudsman Services: Energy. We expect suppliers to listen to their customers' experiences, and adapt their behaviour and services accordingly.

Today we are signalling a strengthened determination to ensure that suppliers do more to improve the experiences of - and outcomes for - consumers in vulnerable situations. The actions outlined in this report reaffirm our commitment to ensure the retail market works for all. We want suppliers to embed consideration of vulnerability into everything they do – from sales and marketing to customer communications, from billing to switching.

We are calling on industry to engage with and respond to the issues raised. We will continue to engage with the suppliers named in this report to drive up their performance. Where dialogue does not deliver the outcomes we expect, we stand ready to take compliance or enforcement action to protect consumers' interests.

Dermot Nolan
Chief executive.

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Executive Summary

Energy is an essential service that affects people's comfort and health. As the energy regulator, we aim to make a positive difference to all current and future energy consumers in Great Britain. Our ambition is a retail market that works for all consumers, including those in vulnerable circumstances. Domestic energy suppliers have a responsibility to help support vulnerable customers through obligations in their licences and other legal requirements including the Equality Act 2010.

This report presents our assessment of how the energy market is working for consumers in vulnerable situations. We have drawn on the latest domestic suppliers' social obligations data, case studies from suppliers and the Citizens Advice Extra Help Unit, and research by consumer groups and Ofgem. This year we produced individual data reports that allow suppliers to benchmark their social obligations performance on a range of metrics against their peer group and industry averages for the first time. We have also shared examples of good practice to encourage innovation.

Overall, our assessment shows that some progress has been made since our last report to improve outcomes for vulnerable consumers. Yet the experiences these consumers have continue to vary widely and we think suppliers can do more.

In 2016, fewer customers were in debt to their supplier - particularly with lower levels of debt. This continues a downward trend since 2013. Suppliers reduced the average weekly debt repayment rates for customers with prepayment meters following our intervention. The number of prepayment meters installed to repay debt continued to decline, halving since the peak in 2009. Suppliers disconnected just 210 customers for debt: this is 17% less than in 2015 and continues a long-term reduction.

In addition, the proportion of customers benefiting from free non-financial services that help them engage in the market rose to the highest level since monitoring began in 2006. Likewise, the number of services provided to electricity customers on Priority Services Registers (PSRs) rose to the highest level – and services for gas customers reached the second highest level – since monitoring began. Following changes we made to the PSR rules in January 2017, we expect to see further increases in the number of services offered and customers benefiting from those services.

This year we have taken steps to protect financially vulnerable consumers. We implemented the CMA's price cap for consumers with prepayment meters. This has reduced the average standard variable tariff for a dual fuel prepayment customer to £88 less than the equivalent for direct debit. We also published final proposals to introduce measures to protect domestic consumers, including the most vulnerable, who are having a prepayment meter (PPM) force-fitted under warrant to recover debt.

We have just published an update on our work to extend price protection to more vulnerable consumers. We are extending the prepayment safeguard tariff to 1 million more households this winter, to protect vulnerable customers from overpaying. These households will save around £120 a year on average.

Yet support for financially vulnerable consumers continues to be an area of concern. We expect suppliers, especially some small and medium suppliers, to do more to help these customers. In 2016:

- The average debt when a customer set up a repayment plan continued to increase and is now over £600 for gas and electricity. For seven predominantly small and medium suppliers, this figure is over £800 for electricity debt.
- On average, 27% of indebted customers are on repayment plans with small and medium suppliers compared to 62% of customers with large suppliers.
- Customers repaying debt via a credit payment method with some small suppliers paid back on average three times more per week towards their debt than those with large suppliers.

- Some medium and large suppliers continued to carry out much higher levels of PPM installations under warrant per 1,000 customers in debt.

We are also concerned that suppliers are not doing enough to help customers access better deals that can help them reduce their bills. The number of eligible customers switching prepayment provider through the Debt Assignment Protocol (DAP) has risen fourfold since we increased the level of debt a customer could have and still switch in 2015. Yet the overall proportion of successful switches remains low at just 5%. We expect to see significant increases next year, because of our work with industry to improve the DAP following the CMA's recommendation.

The number of refused requests from debt-free prepayment customers to switch to credit - or cases where the customer could not comply with suppliers' conditions - have fallen after a long-term increase. Yet some large suppliers continue to refuse a substantial number of requests from debt-free prepayment customers to switch to a credit meter. Even with the prepayment price cap cutting the average standard variable tariff, prepayment customers could save up to £208 where they are able to switch to the cheapest market direct debit tariff.

We are encouraged by new groups set up by Energy UK and Cornwall Insight to bring together energy suppliers to focus on vulnerability in light of the changing regulatory landscape. We want senior leaders across the industry to demonstrate a lasting commitment to put consumers in vulnerable situations at the heart of their business.

This means considering the culture, knowledge and resources needed to deliver positive outcomes for vulnerable consumers, and making best use of customer insights and feedback. It also means being transparent by publicising the support that is available for vulnerable consumers – not just to us, but also by reaching out to consumers and consumer groups.

We expect industry to respond to the findings and insights presented in this report. Where we have concerns, we stand ready to take action to protect consumers' interests where we see they have poor experiences.

Key Findings

Financial vulnerability is an area of concern. While the number of customers in debt is now at its lowest since we began monitoring in 2006, we remain concerned by the rising average debt levels when customers – particularly with some small and medium suppliers – start repaying debt.

The **average debt** when a customer sets up a repayment plan continued to increase to over

£600

For seven suppliers, average electricity debt when customers start repaying is over **£800,** with extreme cases of over **£1000**.

Some small and medium suppliers must do more to help customers in financial difficulty set up affordable debt repayment plans.

On average, only **27%** of indebted customers are on repayment plans with small and medium suppliers compared to **62%** of customers with large suppliers. When small suppliers do set up repayment plans, credit customers with some suppliers are paying on average three times more per week than those with large suppliers.

The number of prepayment meters newly installed for debt continued to fall, halving since the peak in 2009.

Scotland has the highest proportion of electricity and gas customers repaying debt using a prepayment meter and the proportion has increased since 2015. The proportion in Wales is also higher than in England for electricity customers.

The number of prepayment meters installed for debt under warrant (per 1,000 customers in debt) has fallen, but not as fast as the number of customers in debt.

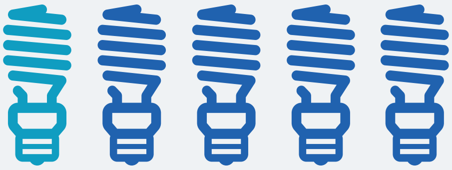
The absolute number of prepayment meters installed for debt under warrant has fallen from its peak in 2013 at over **55,000** for electricity customers and **57,500** gas customers, to **41,000** electricity and **39,500** gas customers in 2016. Some medium and large suppliers must do more to avoid installing prepayment meters under warrant.

The number of disconnections for debt in 2016 fell by 17% on 2015 levels to 210 customers, continuing a long-term reduction.

The number of suppliers disconnecting **fell from eight in 2015 to five in 2016.** There were just three disconnections in Wales and one in Scotland.

Nearly four times as many indebted prepayment customers switched to prepayment tariffs with different suppliers in 2016 through the Debt Assignment Protocol.

Yet the proportion of applicants who successfully switch remains very low **at just 5%.**



The number of customers using prepayment meters has fallen very slightly for the first time in 10 years.

This is partly because suppliers are using fewer prepayment meters for debt. At the same time, a growing proportion of prepayment customers have smart meters, reaching around **15%** of all prepayment meters. The proportion of customers with prepayment meters in Scotland and Wales has been consistently higher than in England.

The proportion of customers benefiting from free services that help them engage in the energy market rose to the highest level since monitoring began in 2006.

The number of services provided to electricity customers on Priority Services Registers rose to the highest level – and services for gas customers reached the second highest level – since 2006.

The number of refused requests from debt-free prepayment customers to switch to credit - or cases where the customer could not comply with suppliers' conditions - have fallen after a long-term increase.

Yet the rate of switching from prepayment to credit has slowed for electricity customers and fallen for gas customers. Some large suppliers continue to refuse a substantial number of requests from debt-free prepayment customers to switch to a credit meter.

1. Introduction

What is the purpose of this report?

This report presents a view on the extent to which vulnerable consumers are experiencing positive outcomes in the retail energy market. To do this, we have drawn on 2016 social obligations data,[1] discussions with suppliers, consumer research,[2] and cases from the Citizens Advice Extra Help Unit. We include examples of good practice, where available.

What is consumer vulnerability?

Our Consumer Vulnerability Strategy (2013)[3] and progress report (2015)[4] set out our expectations of industry to identify and respond to the needs of consumers in vulnerable situations. Our definition of vulnerability is when a consumer's personal circumstances and characteristics combine with aspects of the market to create situations where he or she is:

- Significantly less able than a typical consumer to protect or represent his or her interests in the energy market; and/or
- Significantly more likely than a typical consumer to suffer detriment, or that detriment is likely to be more substantial

Vulnerability can be permanent or temporary. Multiple vulnerable situations can combine to exacerbate detriment. For example, financial difficulty can create or exacerbate mental health problems and vice versa.[5] Anyone can become vulnerable at any time.

What is Ofgem's approach to protecting consumers in vulnerable situations?

Ensuring that the energy market delivers fair and positive outcomes for those struggling to engage is at the centre of our regulatory strategy. One of our five regulatory stances aims to protect the interests of vulnerable consumers by promoting consideration of vulnerability in regulation.[6] It explains the role of Ofgem relative to government.

We want to ensure that vulnerable consumers have equal access to market benefits (such as competitively priced energy, being able to compare and switch to better deals) and that their circumstances do not put them at a disadvantage in accessing services and getting support (for example being able to complain when there is a need). This means suppliers must support vulnerable consumers to become empowered, confident energy consumers.

Monitoring suppliers' social obligations performance helps us to understand how well the retail market is performing for vulnerable consumers. This year, we gave suppliers individual reports that benchmarked their performance on a range of metrics against peer and whole of industry averages for the first time. We will shortly publish a consultation on revisions to the data we collect to ensure that we capture the most important indicators of supplier performance. Listening to insights from consumer groups and grassroots charities is more important than ever.

Between December 2013 and June 2017, the number of domestic gas and electricity suppliers increased from 24 to 60.[7] Irrespective of size and business model, we expect suppliers to demonstrate proper consideration of vulnerability throughout their business operations to achieve positive outcomes.

[1] We collect data from suppliers on debt levels and repayment, prepayment meters, disconnections and non-financial support for vulnerable consumers. Some detailed data is published on our website.

[2] Ofgem (2017) Consumer Engagement Survey

[3] Ofgem (2013) Consumer Vulnerability Strategy

[4] Ofgem (2015) Consumer Vulnerability Strategy Progress Report

[5] Money and mental health policy institute (2016) Money on your mind

[6] Ofgem (2016) Ofgem's regulatory stances.

[7] Ofgem Retail Market Indicators. This is the latest published figure as of June 2017.

As part of this vision, we published a decision to change the domestic Standards of Conduct to clarify that to meet their obligation to treat all domestic consumers fairly,[8] suppliers need to make extra efforts to identify and respond to the needs of vulnerable consumers. This is essential so these customers receive the service and support they need to help them engage easily and effectively. Within this broad regulatory framework, our rulebook contains narrower obligations that suppliers must deliver throughout the customer journey. We explain these obligations in the corresponding chapter of this report.

The market is not working as well as it could for all consumers. Consumers on standard variable tariffs pay significantly more than those who shop around for cheaper deals. Although the PPM price cap has reduced the average standard variable tariff for a PPM dual fuel customer to £88 less than the equivalent on direct debit, there is still value in shopping around to access cheaper fixed-term tariffs that are only available on credit meters.

Our ongoing reforms aim to empower consumers to engage in the market and to provide them with the tools to do so. However, these measures will take time to implement and to have an effect. We are therefore extending the prepayment safeguard tariff to 1 million more households this winter, to protect vulnerable customers from overpaying. These households will save around £120 a year on average.[9]

Figure 1: Report structure,
based on the consumer journey

[8] Ofgem (2017) Decision to modify the domestic and non-domestic Standards of Conduct
[9] Ofgem (2017) Statutory consultation for a vulnerable customer safeguard tariff

2. Inclusive services

Purpose of chapter

A market that works well for consumers is accessible, inclusive, and responsive to their needs. Vulnerable consumers need help to overcome the barriers created by their circumstances so they can engage easily and effectively. This means designing and delivering products and services with vulnerable consumers in mind to avoid creating or exacerbating vulnerable situations. This chapter explores how suppliers are delivering inclusive services.

2016 findings at a glance…

- The proportion of customers on a gas or electricity Priority Services Register (PSR) increased across all suppliers to the highest level since we started monitoring in 2006.
- The total number of PSR services provided increased for electricity and gas customers. These are the highest figures for electricity since we started monitoring service provision in 2006, and the second highest figures for gas.
- While we are seeing some good practice in how suppliers identify PSR-eligible customers and offer services, all suppliers – especially some small and medium suppliers - can do more. Suppliers can draw on a range of innovative measures implemented by network companies to identify and support vulnerable consumers.[10]

[10] The Stakeholder Engagement Incentive drives network companies to effectively engage with all their stakeholders, including vulnerable consumers. Specific to electricity distribution, this is expanded to the Stakeholder Engagement and Consumer Vulnerability Incentive which places additional emphasis on addressing the needs of vulnerable consumers. Details from the 2015-16 incentive are available here. For gas distribution, a Discretionary Reward Scheme exists which specifically rewards social initiatives. Details of the last reward are available here.

What we expect of suppliers

Establishing practices and products with vulnerable consumers in mind

Our Consumer Vulnerability Strategy sets out our expectation that companies will establish their practices and products with vulnerable consumers in mind.[11] We recently published a decision on changes to the Standards of Conduct for suppliers in the retail energy market.[12] For the domestic Standards, we are introducing a broad principle that incentivises suppliers to put vulnerable consumers at the heart.[13]

Helping customers make informed choices

We are introducing a broad principle to the domestic Standards of Conduct that requires suppliers to help consumers make informed choices about their energy supply.[14] This would supplement five narrower principles introduced into Standard Licence Condition (SLC) 25, which require suppliers to enable domestic customers to make informed tariff choices.[15]

Helping customers to engage effectively

In the year ahead, we will be reviewing rules to encourage more consumer-friendly communications. This will let suppliers innovate while ensuring consumers get the information they need to engage effectively.

Suppliers must establish and maintain a Priority Services Register (PSR), and provide eligible customers with certain free non-financial support services. These services relate to access, safety and communication, eg a password scheme so that customers can identify representatives from their supplier.[16]

We modified the PSR rules on 1 January 2017 to require companies to be proactive in identifying customers who would benefit from PSR services, and to provide flexibility to offer innovative services. Suppliers must also provide free gas safety checks to eligible customers.[17]

In 2015, we asked suppliers to minimise costs to customers by offering Freephone or low geographic numbers, and to make these numbers easily accessible for their customers.[18]

Key findings: Priority Services Register

The proportion of customers on a PSR continued to increase in 2016

We welcome the fact that small suppliers have increased the proportion of customers on a PSR since our last report, particularly for electricity where small suppliers had a higher proportion of customers on PSRs in 2016 than medium suppliers.

Large suppliers continue to have a higher proportion of customers on their PSRs than small and medium suppliers (see Figure 2). Generally, large suppliers have been more proactive in identifying PSR-eligible customers.

Demographics may explain these trends. Customers with large suppliers are less likely to switch supplier than those with small and medium suppliers: our Consumer Engagement Survey 2017 found that just 11% of customers with large suppliers had switched supplier in the last 12 months compared to 37% of customers with medium and small suppliers[19].

[11] Ofgem (2013) Consumer Vulnerability Strategy

[12] Ofgem (2017) Decision to modify the domestic and non-domestic Standards of Conduct

[13] Ofgem (2017) Statutory consultation: Standards of conduct for suppliers in the retail energy market

[14] Ofgem (2017) Decision to modify the domestic and non-domestic Standards of Conduct

[15] Ofgem (2017) Modification of electricity and gas supply licences to introduce five 'informed choices' principles and remove the majority of the prescriptive sales and marketing rules.

[16] SLC 26.1-26.6. Eligible customers are those who need priority services due to their personal characteristics or otherwise being in a vulnerable situation. 2016 SOR data was submitted before these changes were made.

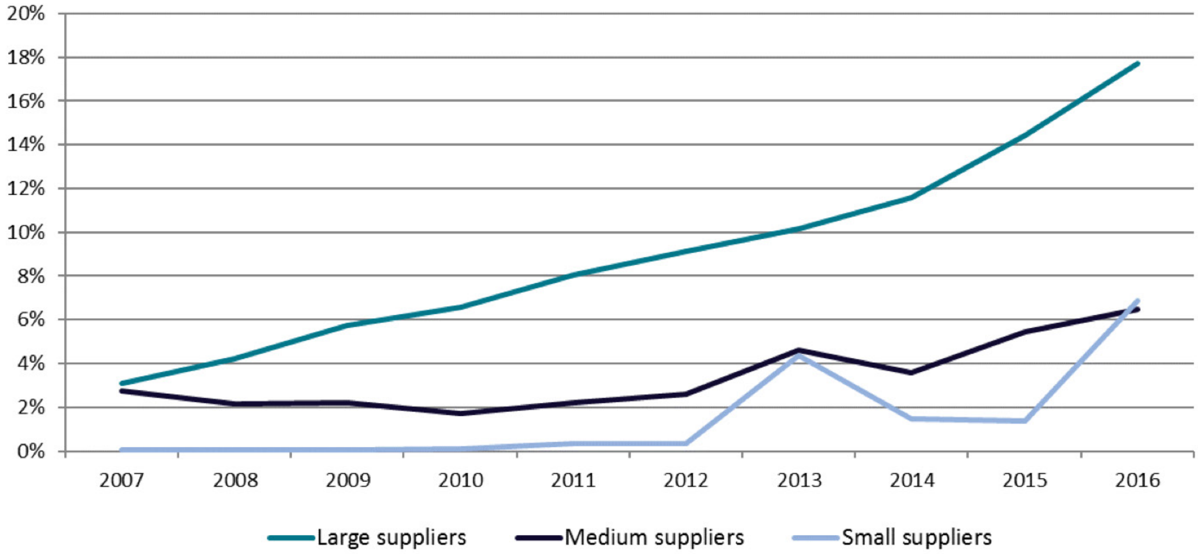
[17] SLC 29 of the Gas Supply Licence

[18] Ofgem (2015) Telephone services – our expectations of suppliers operating in the domestic energy market

[19] Ofgem (2017) Consumer Engagement Survey

Also, some groups of vulnerable consumers who may be most in need of PSR services are less likely to switch supplier: our Consumer Engagement Survey 2017 found that disabled consumers are less likely to switch supplier than non-disabled consumers (14% compared to 18%) and consumers who don't use the internet are less likely to switch than those that do use the internet (6% compared to 19%).[20]

Figure 2: Proportion of electricity customers on a PSR
(trend is similar for PSR gas customers)



The proportion of customers on PSRs remains substantially lower in Scotland than in other nations, for nearly all of the large six suppliers. ScottishPower has the lowest proportion of customers on its PSR overall, but performs slightly better in Scotland. It is unlikely that large suppliers have fewer customers that would benefit from priority services in Scotland. The proportion of electricity customers on PSRs is slightly higher in Wales than England, and substantially higher for gas.

All suppliers, particularly medium suppliers, must be more proactive at identifying PSR-eligible customers. Since our last report – and since we introduced changes to the PSR rules in Jan uary 2017 – some suppliers have implemented new training to help frontline staff identify vulnerability through verbal or visual indicators. Some suppliers include information on PSR in their customer welcome packs.

Data sharing to identify vulnerable consumers

Ofgem, Ofwat and the UK Regulators Network (UKRN) have been exploring the potential for greater non-financial vulnerability data sharing across the energy and water sectors. Data sharing has been identified by the project as one part of a wider set of collaborative approaches that can be used to identify and support customers in vulnerable situations.

The project builds on previous collaborative work done by regulators through the UKRN, where regulators created an accessibility leaflet to signpost customers to non-financial support services across a number of different sectors.[21] Due to the similarities between the support services offered by energy and water companies, Ofgem, Ofwat and the energy and water industry associations Energy UK and

[20] Ofgem (2017) Consumer Engagement Survey

[21] UKRN (2016) UKRN accessibility leaflet

Water UK worked together to gain agreement from companies in both sectors to signpost one another's support services to their customers.[21]

The project has identified a number of benefits of cross sector sharing including:

- Improved identification of vulnerability.
- Increased efficiency within the customer journey, permitting vulnerable customers to only sign-up to energy and water support services once.
- Better collaboration between utility providers and targeted support for vulnerable consumers during emergencies.

The total number of PSR services that suppliers provided to customers increased in 2016

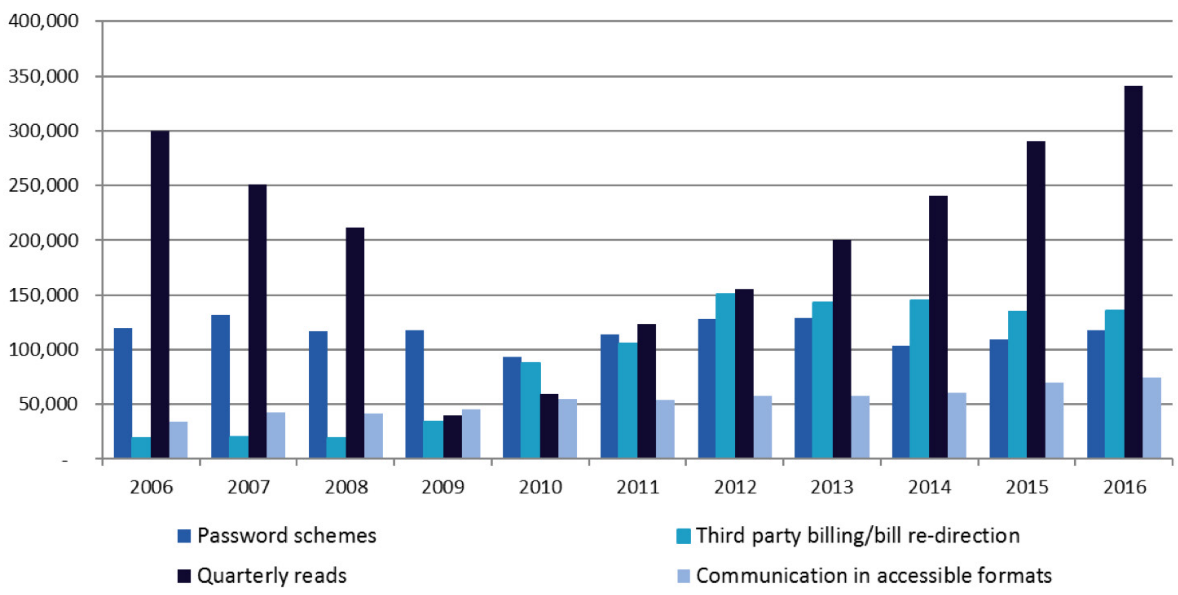
The number of free services reached a record total of 668,737 services for electricity customers and 536,665 services for gas customers: the highest numbers for electricity since we started monitoring in 2006.

This is increasing in line with the proportion of customers on PSRs, but suppliers could do more to offer PSR services to eligible customers. In particular, fewer customers with some small and medium suppliers benefit from PSR services. This may be due to lower demand from their customer base for PSR services. We will continue monitoring this to ensure suppliers are promoting PSR.

Data on service provision shows that the most commonly provided services are quarterly meter reads followed by third party billing/bill redirection. Communication in accessible forms, such as large print/braille or talking bills, and password schemes continue to be provided less often. This suggests there is more demand for services that help empower others to support vulnerable consumers, and less demand for services that allow vulnerable consumers to engage themselves (see Figure 3).

Following changes we made to the PSR rules in January 2017, we expect to see the proportion of customers benefiting from PSR services increase in the coming year.

Figure 3: The number of PSR services provided to electricity customers on PSRs
(number of services provided to gas customers on PSRs is slightly lower)



Key findings: Free gas safety checks

The number of customers who received free gas safety checks increased slightly from 10,986 to 11,849 between 2015 and 2016.[22] However, the levels are much lower than they have been previously, with over 50,000 in 2006 and over 35,000 in 2011.

Large suppliers provide higher rates of free gas safety checks relative to their customer base. Medium suppliers are providing low numbers of free gas safety checks, while only two small suppliers do any at all. We expect all suppliers to do much more to offer free gas safety checks to those who are eligible for them.

Key findings: Embedding consideration of vulnerability

One of the desired results of Ofgem's move to principle-based regulation is to ensure companies do not rely on tick-box approaches and instead adopt a deep-rooted, consumer-centric culture. This includes considering outcomes for consumers in vulnerable situations within established and future business practices.

We are pleased that some suppliers have demonstrated examples of how they are focusing their business on the needs of vulnerable consumers. This is essential to a competitive, well-functioning market. However, our Challenge Panel in 2016 found that few suppliers have considered adequately how to support vulnerable consumers to make informed choices or offered products and services appropriate to their characteristics and preferences.[23]

Good practice and innovation does not always need significant expenditure or a large amount of resource. To embed consideration of vulnerability within an organisation, commitment from senior management to drive the culture of change is essential. It is also crucial to empower staff to identify and support vulnerable customers.

Project 'Inspire' - Innovation and consumer vulnerability

Sustainability First's 'Project Inspire' aims to improve service delivery and quality of life for customers in vulnerable situations.[24] It does this in three main ways:

i) Identifying and sharing case studies and ideas about how innovation, including technological innovation, supports customers in vulnerable situations.

ii) Identifying and striving to overcome perceived barriers and enablers to innovation.

iii) Horizon scanning to embrace new opportunities to better serve vulnerable customers in the future.

As part of Project Inspire, Sustainability First will publish an independent report later this year containing more than 40 innovative case studies which aim to support vulnerable customers.

One way to adopt positive culture at a low cost is to ensure staff incentives focus more on achieving better consumer outcomes than on sales-driven or efficiency targets. The following examples illustrate how some suppliers are creating the right culture, and equipping staff with knowledge, skills and resources to put vulnerable consumers at the heart of their business.

[22] In 2015, Utilita reported that it carried out over 50,000 free gas safety checks, after offering them to all new domestic smart meter customers However, these checks were visual inspections carried out as part of the meter installation process and were not the full free gas safety checks which would be carried out for eligible customers under condition 29 of the Gas Supply Licence.

[23] Ofgem (2016) Enabling consumers to make informed choices: Findings from the 2016 Challenge Panel

[24] Project Inspire is part sponsored by Ofgem and has a project group consisting of BEIS, Citizens Advice, EDF Energy, E.ON, ScottishPower, Western Power Distribution, SGN, Toshiba, geo and Smart Energy GB.

Communicating with customers with specific needs

In 2016, British Gas started to roll out a Dementia Friends initiative. Dementia Friends offers training to staff with the aim of creating a Dementia-friendly business where staff can better serve customers with Dementia. British Gas has over 15,000 Dementia Friends and expects to have 20,000 by the end of 2017.

SSE introduced Sign Video in May 2016 to improve the experience for customers who communicate through British Sign Language (BSL). When contacting SSE, customers can have a live and secure conversation using a fully qualified BSL interpreter, free of charge. Customers can access Sign Video via smart phone, tablet, computer or laptop.

Mainstreaming consideration of vulnerability

ScottishPower set up a Vulnerability Forum to promote a holistic approach to supporting vulnerable customers. It aims to identify and share best practice internally, review new vulnerability initiatives, share lessons learned from internal and external organisations and review implementation of regulatory initiatives. The forum takes place once a month, with representatives from all retail functions reviewing all aspects of vulnerability at an operational level.

In May 2017, British Gas achieved verification of the British Standard Institution Standard 18477 for Inclusive Services Provision - Requirements for identifying and responding to consumer vulnerability.[25,26] This sets out procedures to ensure inclusive services are accessible to all consumers equally, regardless of their circumstances. In 2016, SSE committed to attain this Standard by 2018.[27]

Innovative processes to improve identification of vulnerable customers

E.ON has developed its Care and Assessment Tool, an innovative tool to better identify vulnerability through conversational cues, storing information about customers' vulnerability and flagging this to advisers during interactions with customers. The tool also suggests targeted areas of support for that individual customer. In January 2017, Citizens Advice published a good practice guide to help suppliers signpost vulnerable customers to help.[28]

The consequences of failing to consider vulnerability

Not embedding a consideration of vulnerability can cause detriment to consumers. Detriment can represent costs to businesses, through inefficiencies and damage to reputation and customer loyalty. We are aware that some charities are having to dedicate significant resource to liaising with energy suppliers to resolve complaints on behalf of vulnerable consumers. This diverts already limited funding away from core activities, such as providing energy efficiency and debt advice, to help vulnerable customers get back on track.

Our Consumer Engagement Survey 2017 found that customers in arrears[29] or with a disability were more likely than the average (27% and 14% respectively, compared to 10% for other customers) to have complained to their own or previous supplier. We want to see more evidence that suppliers are using customer feedback loops to understand the needs of vulnerable consumers to inform their decisions, products and services, helping to create an inclusive market.

The Money Advice Trust has worked with Energy UK to develop practical guidance for energy suppliers on identifying and supporting customers with mental health problems. The guide outlines issues around mental health and mental capacity in the context of domestic energy supply; shares lessons from the financial sector, which has faced similar change and challenges; and provides practical recommendations and resources for organisations and their staff working with vulnerable customers.[30]

[25] British Gas (2017) British Gas sets new standard for helping vulnerable customers

[26] British Standard Institute (2010) British Standard 18477:2010

[27] SSE (2016) SSE is setting new standards in service for vulnerable customers

[28] Citizens Advice (2017) Good practice guide: How energy suppliers can signpost and refer vulnerable consumers to the right source of help

[29] Defined as when a customer has been unable to pay on time because of financial difficulties.

[30] Money Advice Trust and Energy UK (2017) Vulnerability, mental health, and the energy sector

Digital connectivity and vulnerable consumers

Companies need to take into account consumers in vulnerable situations when establishing new and future products and services; this is particularly applicable to customers with limited internet access.

Certain groups of vulnerable consumers are less likely to have internet access or be able to use the internet. Christians Against Poverty found that those with physical disability, mental ill health, learning difficulties, or serious or terminal illness were **42%** more likely to lack personal internet access. [31,32]

Ofgem's Consumer Engagement Survey 2017 showed that nearly half of those who switched or compared deals used price comparison websites. Those who do not frequently use the internet are more likely to find switching a hassle for which they do not have time.[33] Customers may also find it harder to compare deals and to determine whether they are saving money. The survey showed **52%** of frequent internet users think it is easy to compare deals, compared to **38%** of infrequent users and **27%** of non-users. **50%** of non-users and **49%** of infrequent users also agree that it is too hard to work out whether they would save if they switched, compared to **39%** of frequent users.[34]

We work with Citizens Advice Consumer Service to help customers who cannot access the internet to find a better deal through Energy Best Deal.[35] This awareness campaign has been running since 2008 with support from energy companies.

Wales & West Utilities (WWU) have developed an innovative PSR app to enable their engineers to collect essential customer information when they are on a site visit. WWU shares the information they collect with Welsh Water, the customers' Distribution Network Operator and supplier so they can add eligible customers to their PSRs. This approach removes the barrier to customers signing themselves up to their utility providers' PSRs, and allows vulnerable customers who are offline to access the support services they require. This is also a good example of cross-sector working to create positive outcomes for consumers.

[31] Christians Against Poverty (2017) Offline and shut out
[32] Ofgem (2017) Consumer Engagement Survey
[33] 58% of offline consumers agreed with this statement compared to 44% of frequent internet users in our Consumer Engagement Survey.
[34] Ofgem (2017) Consumer Engagement Survey
[35] Citizens Advice (2016) Energy Best Deal: 2015/2016 review

3. Affordability and debt

Purpose of chapter

Customers in debt or struggling to pay their energy bills are a key focus for us. We require suppliers to offer certain services for customers in payment difficulties, and to take all reasonable steps to ascertain the customer's ability to pay. Many indebted customers have difficulties in other areas, such as mental and physical ill health. It is vital that suppliers' actions do not exacerbate existing vulnerable situations or create new ones. This chapter presents how suppliers are meeting their obligations to help customers in financial difficulty.

2016 findings at a glance…

- The number of customers in debt to their electricity and/or gas supplier has been decreasing since 2013. It is now the lowest since we started monitoring in 2006 (1,195,635 for electricity; 971,362 for gas).
- The average debt when a customer sets up a repayment plan continued to increase to over £600. This is in part due to the number of customers with low levels of debt falling rapidly, and slower reductions in the number of customers with high levels of debt. However, for a number of suppliers, this is also due to an increased proportion of high debt customers.
- For seven suppliers, the average electricity debt when customers start repaying is over £800, with extreme cases of over £1000.
- Some small and medium suppliers must be more proactive in setting up debt repayment plans. On average, only 27% of indebted customers are on repayment plans with small and medium suppliers compared to 62% of customers with large suppliers.
- Credit customers with some small suppliers paid on average three times more per week towards their debt than those with large suppliers.
- The number of prepayment meters newly installed to repay debt continued to decline, driven by large suppliers. The proportion of customers repaying debt via prepayment meter is highest in Scotland and has increased since 2015. The proportion in Wales is also higher than in England.

- Small and medium suppliers continued to improve in the average weekly repayment rates they offer prepayment customers, and are now similar to the rates offered by large suppliers. Prepayment customers with small suppliers paid on average one third of the weekly rate paid by credit customers.
- Nearly four times as many indebted prepayment customers switched to prepayment tariffs with a different supplier through the Debt Assignment Protocol in 2016 than in 2015. Yet the proportion of eligible gas and electricity customers who succeed in switching is still very low at just 5%.
- The number of refused requests from debt-free prepayment customers to switch to credit - or cases where the customer could not comply with suppliers' conditions - have fallen after a long-term increase. Yet some large suppliers continue to refuse a substantial number of requests from debt-free prepayment customers to switch to a credit meter.

Understanding affordability and debt

Personal circumstances and characteristics can affect a customer's ability to manage their bills. Citizens Advice found that 54% of their indebted clients have difficulties in at least one other area, such as employment, housing, and mental and physical health. It also found that those with poor mental health scores are more than twice as likely to be behind with some or all of their bills.[36] Similarly, Christians Against Poverty identified low income, relationship breakdown, and mental ill health as the most common reasons for new clients getting into debt in 2016.[37]

Fuel poverty is one vulnerable situation that energy consumers may face. In England, a household is fuel poor if: it has higher than typical energy costs, and if it would be left with a disposable income below the poverty line if it spent the required money to meet those costs.[38] An estimated 2.5 million English households are in fuel poverty (11%).[39] The definition for Scotland and Wales is: a person is living in fuel poverty if, to heat their home to a satisfactory standard, they need to spend more than 10 per cent of their household income on fuel. 23% of Welsh households (291,000)[40] and 31% of Scottish households (748,000)[41] are in fuel poverty.

Households with the lowest incomes are therefore more likely to face payment difficulties especially when energy prices increase. The average household dual fuel bill in 2016 was £1,123, 16% lower than its peak in 2013. Yet in real terms, bills are 39% higher than in 2001.[42] The Office for National Statistics found that in 2015/16, the households with the lowest incomes spent nearly 10% of their total expenditure on electricity, gas and other fuel - around 5% more than in 2004.[43]

The government has implemented schemes to help low-income customers. The Warm Home Discount helps those who are in or at risk of fuel poverty through direct rebates and third party support. Over 2 million customers currently benefit.[44]

[36] Citizens Advice (2016) A debt effect?

[37] Christians Against Poverty (2017) Client Report.

[38] BEIS (2017) Annual Fuel Poverty Statistics Report (2015 data) disposable income of less than 60% of the national median.

[39] Ibid

[40] Welsh Government (2016) The production of estimated levels of fuel poverty in Wales

[41] Scottish Government (2016) Scottish House Condition Survey: 2015 key findings

[42] I Ofgem Consolidated Segmental Statements, (2009 to 2016); BEIS Energy Consumption statistics in the UK (1970 to 2008); BEIS United Kingdom housing energy fact file (1996 to 2008); BEIS Historical gas data: gas production and consumption and fuel input 1920 to 2016; DCLG Live tables on household projections, Table 4.01; and ONS Total household expenditure on energy (1970 to 2008).

[43] ONS (2017) Family spending in the UK: financial year ending March 2016.

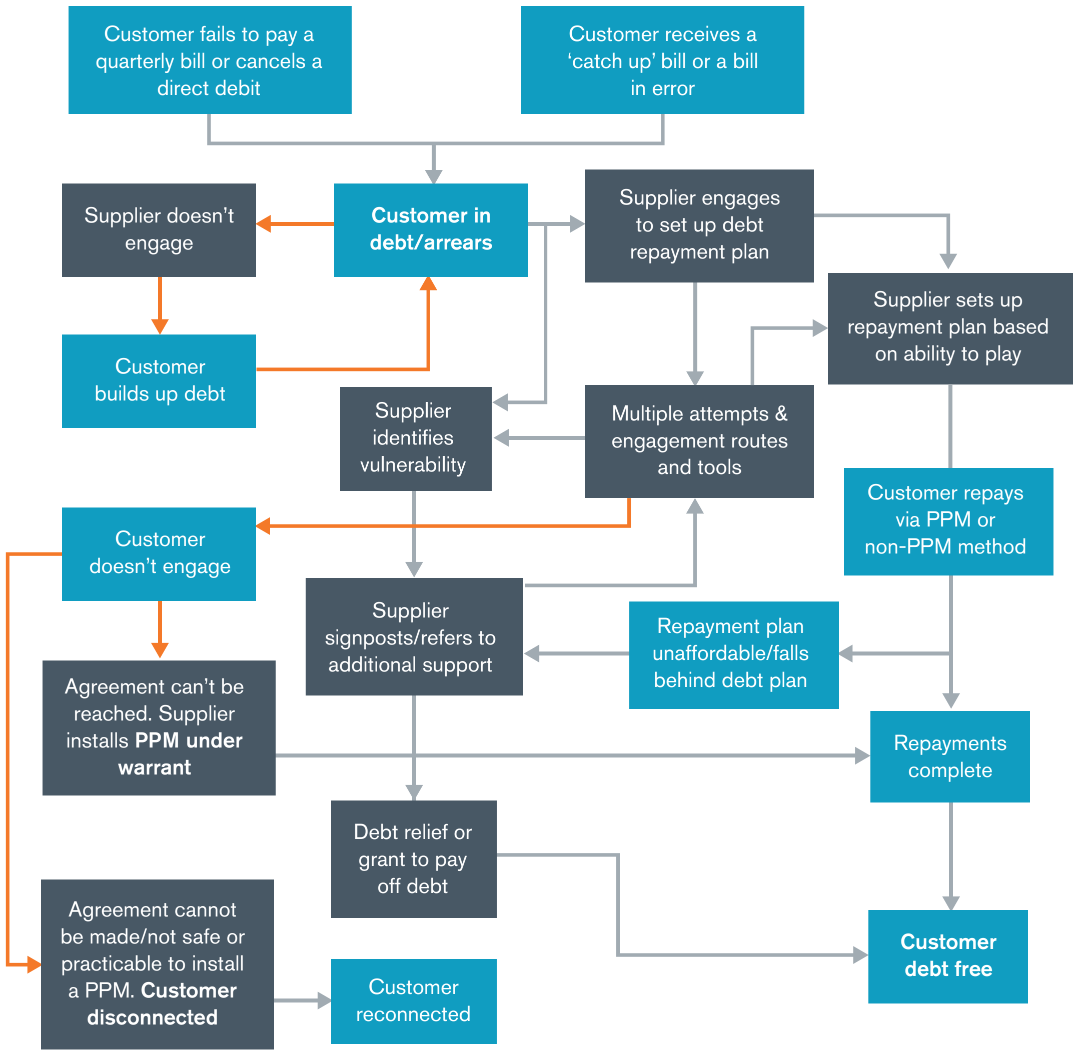
[44] Ofgem (2016) Warm Home Discount Annual Report 2015-2016

Some vulnerable groups receive Cold Weather Payments during prolonged periods of cold weather: 131,000 customers received £3.3 million of payments in winter 2016/2017.[45] Customers in receipt of the state pension and some social security benefits receive Winter Fuel Payments. Between 2015 and 2016, 12.21 million people received these payments.[46] Fuel poverty is predominantly a matter for government.

Debt is complex, and debt management is essential to ensure that the cost of bad debt does not increase bills for all consumers. Figure 4 illustrates the pathways that an indebted customer may follow. It shows that debt management requires suppliers and customers to engage with each other.

Disconnection should always be a last resort and avoided wherever possible. SLC 27 prohibits suppliers from disconnecting pensioners during winter, and requires suppliers to take all reasonable steps to avoid disconnecting premises that include any pensioners, disabled or chronically sick customers in winter (see Chapter 4).[47]

Figure 4: Example of multiple customer debt pathways



[45] Department for Work and Pensions (2017) Cold weather payment statistics: 1st November 2016 - 31st March 2017

[46] Department for Work and Pensions (2016) Winter Fuel Payment

[47] Chapter 4 presents the key findings on disconnections and the use of warrants to install PPMs

What we expect of suppliers

Offering a range of payment options

Suppliers are required (SLC 27) to offer domestic customers struggling to pay their electricity and/or gas bills a range of payment options:

- Payment by regular instalments through means other than a PPM (for example, direct debit)
- Payment by direct deductions from social security benefits received by the customer (such as Fuel Direct or Universal Credit)
- Payment through a PPM, where this is safe and reasonably practical.

Agreeing repayment plans based on ability to pay

When agreeing the duration and weekly value of a repayment plan, whether through direct debit or PPM, suppliers must take into account each individual customer's ability to pay (SLC 27.8). We expect suppliers to adhere to the ability to pay principles we introduced in 2010:[48]

- Having appropriate credit management policies and guidelines.
- Making proactive contact with customers to identify whether they are having payment difficulty.
- Understanding individual customer's ability to pay.
- Setting repayment rates based on ability to pay.
- Ensuring the customer understands the arrangement.
- Monitoring of arrangements after they have been set up.

Setting debt repayment rates too high can leave customers struggling to repay their debts. This can result in self-rationing, or for customers repaying debt via PPM, self-disconnection.

Where suppliers use Debt Collection Agencies, we expect the Agencies to demonstrate the same high standards that we expect from suppliers when dealing with customers. We hold suppliers accountable for the action of third parties. We are aware of cases where this relationship has broken down in the past. Suppliers should provide clear guidance on their policies and monitor agencies' practices regularly.

Preventing debt build up

Suppliers need to focus on preventing debt as much as they do on managing and recovering debt. Providing accurate, clear and regular bills and making early contact with customers can prevent customers accumulating debt. Suppliers have an obligation at this stage to provide energy efficiency information to customers in financial difficulties (SLC 27.6(b)).

Many suppliers work with third parties such as StepChange, Christians Against Poverty, Money Advice Trust, local Citizens Advice offices and grassroots charities to provide direct, impartial financial advice and support. Often, the support provided goes beyond money advice. Community-led charities such as South Seeds in Glasgow provide a number of support services in a targeted area.[49] For South Seeds, these include an energy saving 'handyman' service, advocating on behalf of residents to make sure bills are accurate, and supporting them in dealing with energy debt.

[48] Ofgem (2010) Review of suppliers' approaches to debt management and prevention

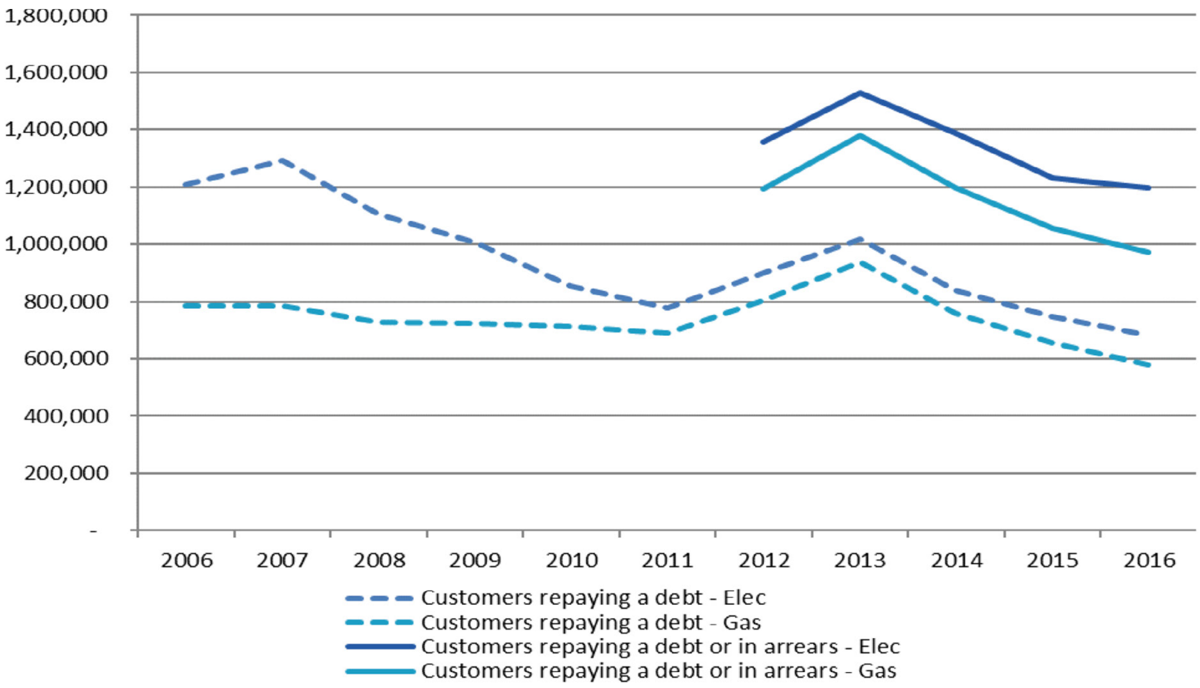
[49] The Scottish Government, through the Climate Challenge Fund (CCF), funds this project and South Seeds also received funding through the ScottishPower Energy People's Trust.

Key findings: Building up debt

Fewer customers are in debt but average debt levels continue to increase

The number of customers in debt to their electricity and/or gas supplier has been decreasing since 2013. It is now the lowest since we started collecting data (1,195,635 for electricity; 971,362 for gas).[50] This applies to customers in arrears and repaying a debt (see Figure 5).[51]

Figure 5: Number of customers repaying a debt to their supplier, and (since 2012) total number of customers in debt, including those in arrears but not yet repaying a debt



The proportion of customers in debt remains similar across the nations for gas (England: 2.5%, Scotland: 2.7%, Wales: 2.3%) and electricity (England: 2.5%, Scotland: 2.5%, Wales: 2.2%). It used to be substantially higher in Scotland. The proportion of customers in debt is lowest in Wales, and generally has been since 2008.

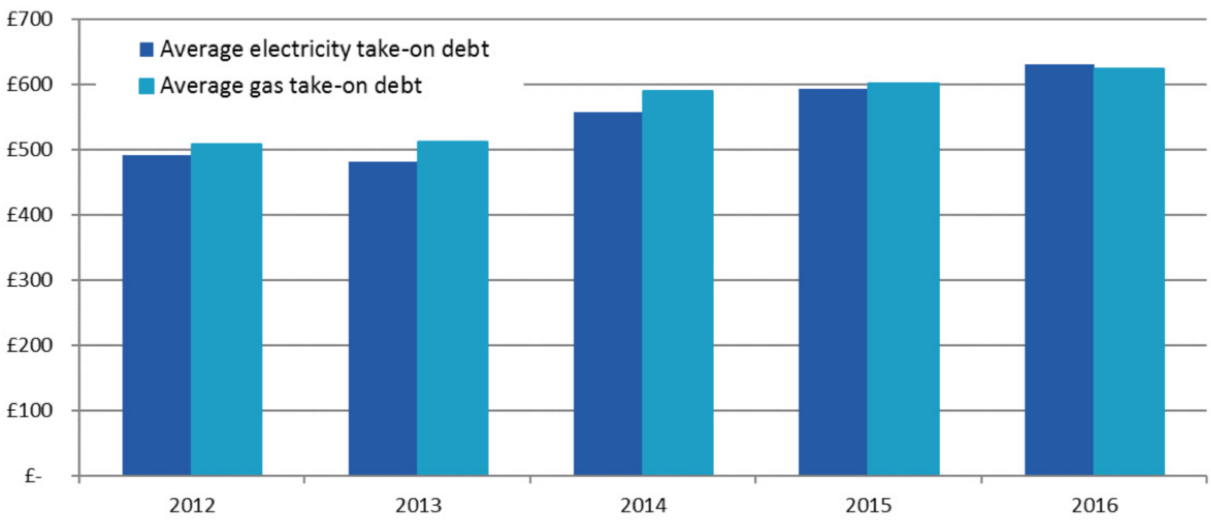
However, for customers who are in debt, the average amount they owe is continuing to increase. The average level of debt owed at the point customers start repaying a debt ("take-on debt") has continued to increase (for gas, rising in real terms from £594 in 2015 to £622 in 2016 and for electricity, rising from £586 in 2015 to £628 in 2016) (see Figure 6).[52] Figures for "take-on debt" include historic debt that customers are still repaying, and not just new arrangements set up in 2016.

[50] We started collecting data on the number of customers repaying a debt to their supplier in 2006, and since 2012 we started collecting data on the total number of customers in debt, including those in arrears but not yet repaying a debt.

[51] Customers in arrears are customers who are more than three months late in making a payment, but do not yet have a debt repayment arrangement set up.

[52] Figures in real terms are adjusted by the Consumer Prices Index (CPI) and are given in 2016 prices.

Figure 6: Average debt at the point customers started repaying a debt ("take-on debt")



We see this trend across different types of suppliers. It is in part due to the number of customers with low levels of debt falling rapidly, and sluggish reductions in the number of customers with high levels of debt. However, for a number of suppliers, this is also due to an increased proportion of high debt customers.

Certain suppliers have particularly high levels of debt (see Table 1). In 2015, we identified five suppliers whose electricity customers had an average take-on debt of over £800: substantially above the industry average. Two of these suppliers are showing an increase in average take-on debt in 2016, while three have reduced this figure albeit they are still above £800.

We identified two further suppliers with high average electricity take-on debt in 2016: First Utility, and Axis Telecom.[53]

These outliers show that some suppliers – predominantly small and medium suppliers – must do more early on to identify customers in payment difficulty and prevent debt from building up. We are aware that suppliers of all sizes are making changes to their collections processes to engage customers earlier on to help avoid debt from building up, for example by sending SMS messages prompting customers to engage. Putting in place these changes should result in improvements in next year's data.

[53] The figure for Axis Telecom is based on a very small number of customers with new debt repayment plans in 2016.

Table 1: Average level of electricity debt owed at the point customers start repaying a debt ("take-on debt") - suppliers with highest average (2015 and 2016) [54] in real terms.

	Average take-on debt	
	2015	**2016**
LoCO2 Energy[55]	£1,323	↓ £1,044
Utility Warehouse	£1,018	↓ £994
Ecotricity	£835	↓ £819
npower	£813	↑ £907
iSupplyEnergy[56]	£977	↑ £1,143
First Utility[57]	£111	↑ £883
Axis Telecom[58]	No customers in debt	↑ £1088

Three suppliers had high average take-on debt for gas customers in 2016: npower and Utility Warehouse had average debts of £831 and £911 respectively, and Spark Energy had average take-on debt of £840.

Some suppliers need to do more to deal with large levels of debts

Suppliers are getting better at dealing with customers with low levels of debt. We continue to see a steady decline in the number of customers who are repaying debts below £100. However, the number of customers with higher debts, particularly over £600, has fallen much more slowly over time (see Figure 7).

We are encouraged that most large suppliers have continued to reduce the number of customers with debts over £600 since 2013. However, in 2016 EDF Energy and ScottishPower showed an increase in the number of customers with debts over £600.

[54] The average derived here does not take into account different means of addressing the likelihood of customers falling into debt and differences of supplier handling of repayment plans. The figures have been adjusted for inflation and are presented in 2016 pounds.

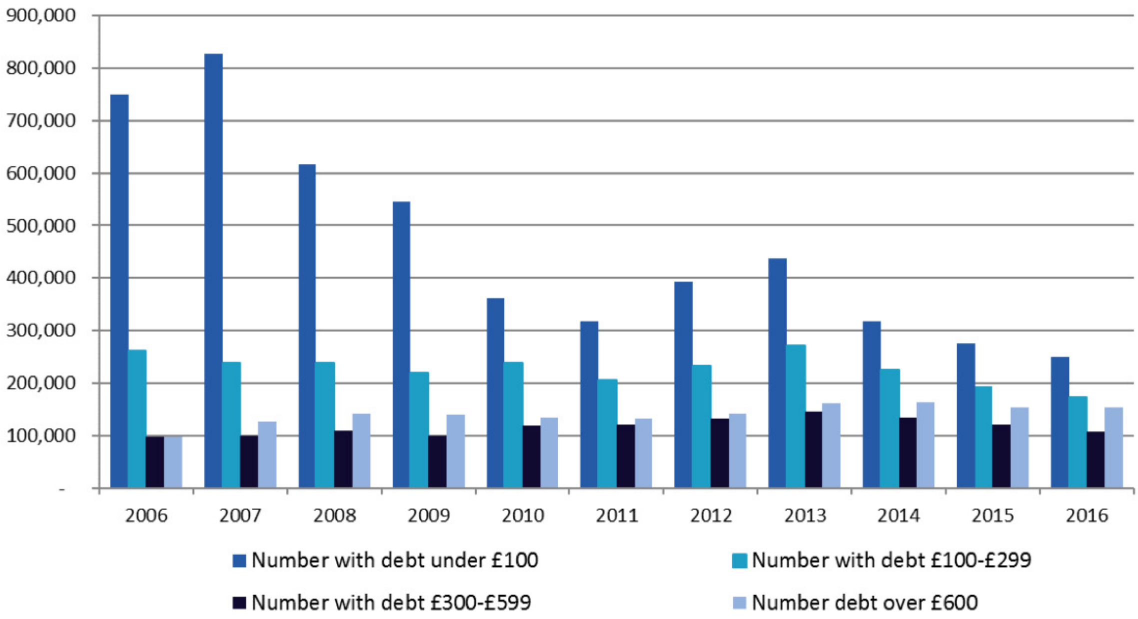
[55] LoCO2 Energy began operating under the name Solarplicity on 25 April 2017. The figure for LoCO2 is based on a very small number of customers with new debt repayment plans in 2016.

[56] iSupplyEnergy changed ownership on 21 June 2017 and is now owned by Vattenfall. Changes have been made to deal with vulnerability and debt management since the start of 2017.

[57] The increase shown is due to delays in debts being put on to prepayment meters. This is in part due to a shortage of prepayment meters in late 2015. This caused the figure to spike in 2016 when the billing process recommenced. Changes are being made to deal with vulnerability and debt management.

[58] The figure for Axis Telecom is based on a very small number of customers with new debt repayment plans in 2016.

Figure 7: Number of electricity customers with outstanding debt below £100, £100-£299, £300-£599 and over £600 (data is similar for gas customers)[59]



We are concerned that some small and medium suppliers are not equipped to prevent debt build up and not anticipating the harm that this can cause customers. One medium supplier told us that the reason for its high average debts was the rapid increase in its customer base and a lack of infrastructure to deal with debt. Inaccurate billing (where payments do not cover use) and problems with billing systems are common causes of debt build up. These can cause detriment without any fault of the customer.

All suppliers must be aware of their obligations, anticipate the challenges they may face from the start, and have adequate systems in place to support financially vulnerable customers. This is essential to avoid creating or exacerbating existing vulnerable situations.

Some suppliers have trust funds and hardship funds to help customers struggling with their bills. Sometimes these are used to clear a debt completely. These can be open to all customers (British Gas Energy Trust, E.ON Energy Fund) or the supplier's own customers (npower Energy Fund, Ovo Energy Fund, ScottishPower Hardship Fund, SSE Priority Assistance Fund). The EDF Energy Trust is open to EDF Energy customers but other debts, including monies owed to other energy companies, will be considered in the application process.

Some suppliers need to do more to set up debt repayment plans

To prevent debt from building up, suppliers should be more proactive in setting up and negotiating debt repayment arrangements based on the customer's ability to pay. Some small and medium suppliers in particular should be doing more to communicate with customers early in the debt path. For large suppliers, the long-term decline in the proportion of customers who are in debt who have a repayment arrangement set up continued in 2016.

Some small and medium suppliers have an increasing number of customers with large debts and comparatively fewer indebted customers on repayment plans (an average of only 27% compared

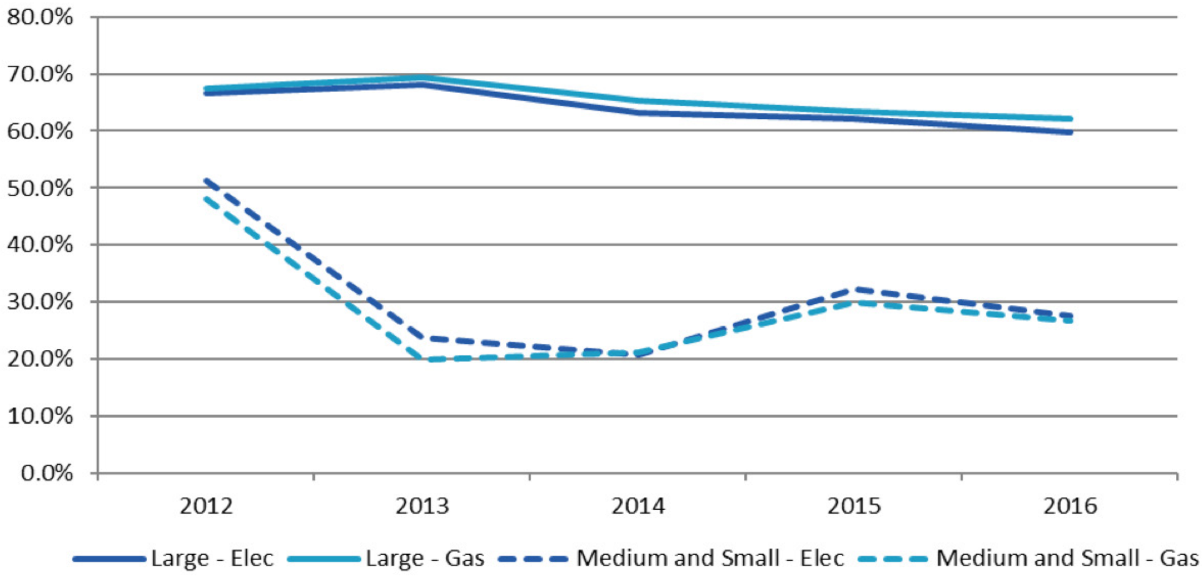
[59] This data is expressed in absolute prices, not adjusted for inflation, as the data is submitted by suppliers in these windows.

to 62% for large suppliers for gas – see Figure 8). This is not the case for all small and medium suppliers.[60]

We want suppliers to be flexible in their attempts to communicate with customers in debt. From our discussions with suppliers, we are seeing various engagement routes and tools being used to attempt to communicate with customers such as emails, texts, and home visits. Some suppliers have recently reviewed their debt letters to prompt a better response from customers and to avoid causing anxiety.

Other suppliers, including some medium suppliers, are creating specialist debt teams to identify customers who are accruing balances and helping to stop them from falling into debt. E.ON's improved specialist support within the debt resolution department shows a comprehensive approach to dealing with customers in financial difficulty.

Figure 8: Proportion of gas and electricity customers who are in debt who have a repayment arrangement set up - by supplier type



[60] The average derived here does not take into account different means of addressing the likelihood of customers falling into debt and differences of supplier handling of repayment plans

E.ON Improved specialist support within Debt Resolution department

In 2016, E.ON undertook a comprehensive training programme to increase staff capability and awareness of financial vulnerability. E.ON trained frontline advisors to identify signs of financial difficulty through verbal triggers, proactive questioning and account indicators. In April 2016, E.ON broadened the focus of its existing 'High Risk Vulnerable team' to encompass financial vulnerability and ring-fence this support.

The team is highly specialised and provides tailored support for E.ON's most financially vulnerable customers. It aims to help customers get back to a position where they can pay for their energy sustainably. The team uses a number of approaches to help customers, including in-depth conversations, home visits, income and expenditure analysis, and working closely with debt charities.

E.ON reported that customers have benefited in two main ways: early identification of financial difficulty and dealing with the account appropriately, thus stopping accounts falling into arrears unnecessarily; and providing breathing space to let customers organise their finances.

E.ON's SOR data provides a positive indication of its performance in this area. E.ON has consistently had one of the highest proportions of indebted customers who have a debt repayment arrangement set up, and a lower than average debt for customers in arrears but not yet repaying a debt (£390 compared to the industry average of £566). This is an indication of E.ON's proactivity at helping customers to get their debt under control.

Key findings: Repaying debt

The number of prepayment meters newly installed to repay debt continued to decline, driven by large suppliers

The number of electricity and gas prepayment meters (PPMs) newly installed for debt continued to fall in 2016, halving since the peak in 2009 (see Figure 9). We have seen some examples of suppliers taking steps to reduce the likelihood of debt build up, ultimately reducing the need for PPMs. Steps include promoting hardship and trust funds and developing partnerships with third parties to provide customers with support early on.

One supplier told us it is transitioning some pay quarterly customers to pay monthly to help them budget and avoid bill shock. Some suppliers are considering how to make payment more convenient by allowing customers to pay by text message or online.

A growing proportion of prepayment customers have smart meters, reaching around 15% of all PPMs. Certain medium suppliers are driving the rise in smart PPMs (see Chapter 4).

The proportion of electricity and gas customers repaying debt via a PPM is highest in Scotland, having increased since 2015 (see Figure 10). The proportion in Wales is also higher than in England for electricity customers. Up until 2011 in Scotland and Wales, and 2013 in England, there had been a sustained decline since 2008 in the proportion of customers repaying a debt via a PPM.

Figure 9: Number of electricity PPMs installed for debt and not for debt (trend is similar for gas) – by supplier type

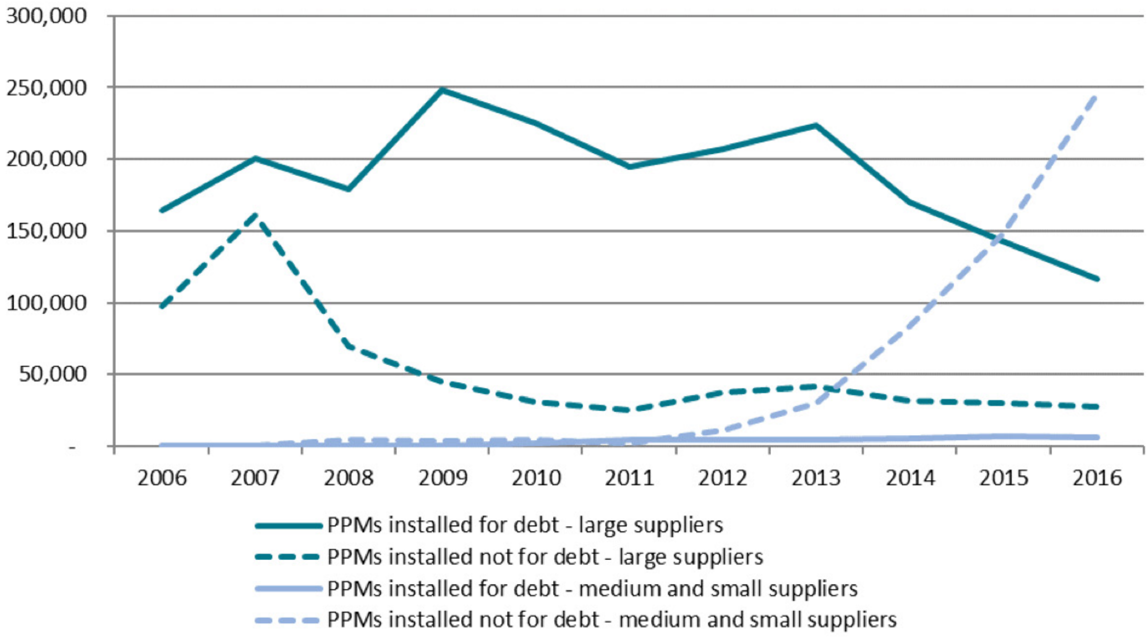
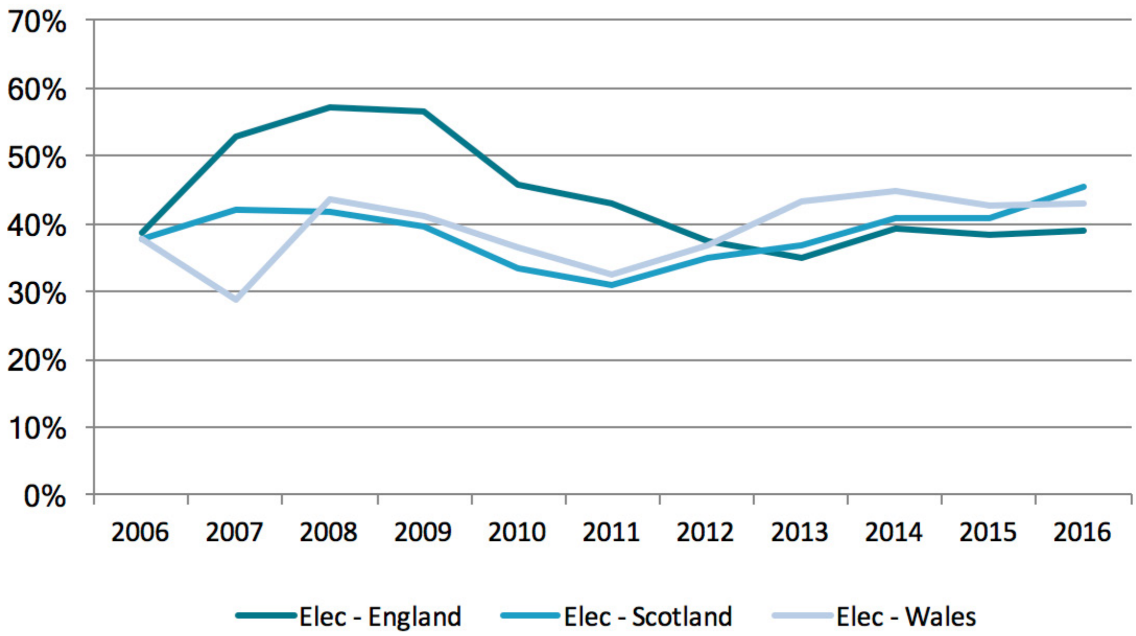


Figure 10: Proportion of electricity customers repaying a debt who are on a PPM in each nation (trend is similar for gas)



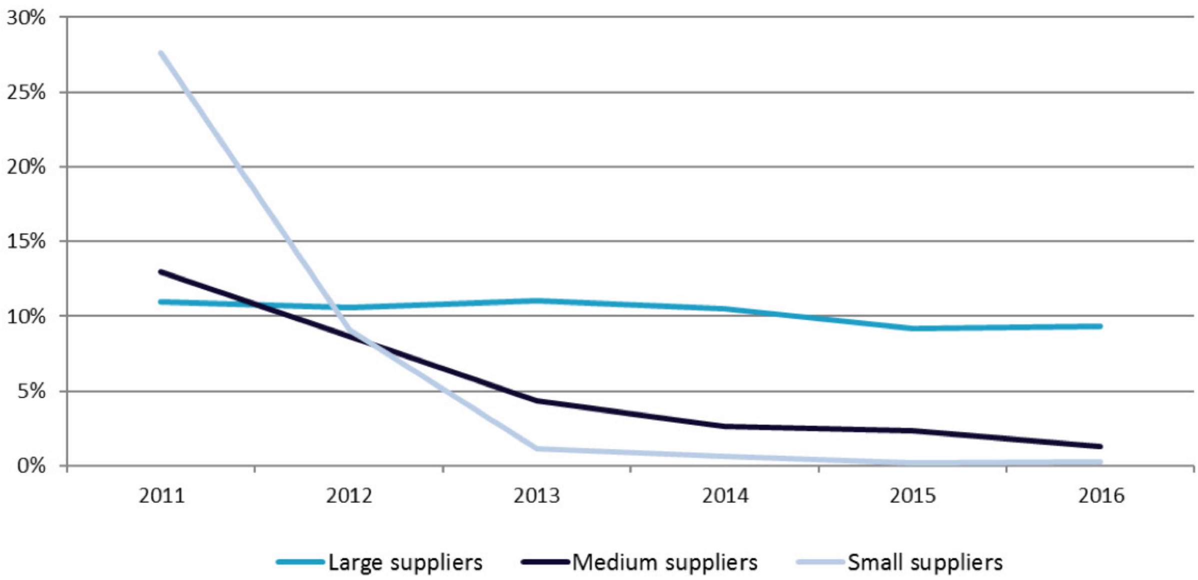
The proportion of PPMs collecting debt continued to decline, driven by medium suppliers

At large suppliers, just 9% of gas PPMs are currently collecting debt compared to just 1% at medium suppliers and nearly zero at small suppliers (see Figure 11).

These figures tell us that the majority of prepayment customers continue to pay for their energy using a PPM after they have cleared their debts, or that they have inherited a PPM in their home (rented or owned). We recognise that some customers may choose to remain on prepayment as it helps them to budget. Recently, this choice may be influenced by the price protection offered by the PPM price cap.

Although the PPM price cap has reduced the average standard variable tariff (SVT) for a prepayment dual fuel customer to £88 less than the equivalent for direct debit, there is still value in shopping around to access cheaper fixed-term tariffs that are only available on credit meters. We want large suppliers in particular to do more to help debt-free prepayment customers to access the cheapest deals (see more in Key findings: Prepayment customers switching to better deals).

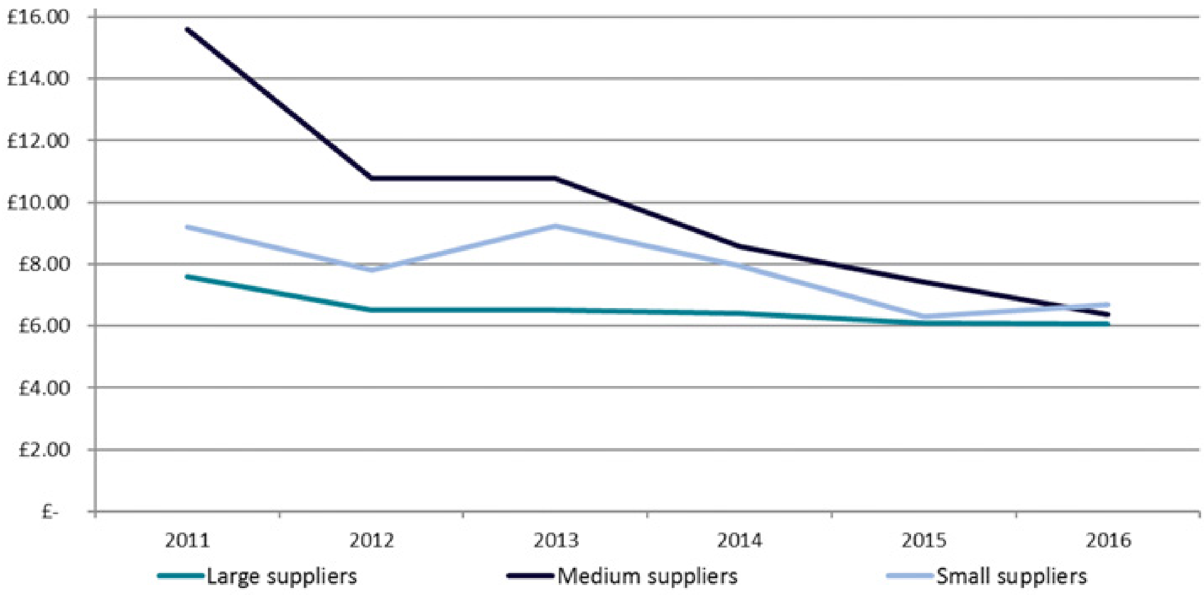
Figure 11: Proportion of gas PPMs currently collecting debt (trend is similar for electricity, with a higher peak for small suppliers in 2011) – by supplier type



Medium suppliers have continued to improve in the average weekly repayment rates they offer prepayment customers

A number of suppliers reduced their repayment rates for prepayment customers following conversations with us in 2016. These rates are now close to the average for large suppliers: just over £6 per week for electricity with a similar trend for gas (see Figure 12). In addition, the proportion of electricity and gas prepayment customers repaying over £15 per week has decreased.

Figure 12: Average repayment rates for in real terms electricity customers in debt repaying via prepayment (trend is similar for gas) (in 2016 prices) – by supplier type



Credit customers with some small and medium suppliers are continuing to pay high debt repayment rates

Average weekly repayment rates for credit customers with some small suppliers are around three times higher than rates with large suppliers (average of £17.17 compared to £5.64 for electricity) and for credit customers with some medium suppliers these rates are double (£11.26 compared to £5.64 for electricity) (see Figure 13).

In addition, an average of 32% of customers repaying their debt via a credit payment arrangement with some small suppliers are repaying over £15 per week compared to just 7% of those with large suppliers.

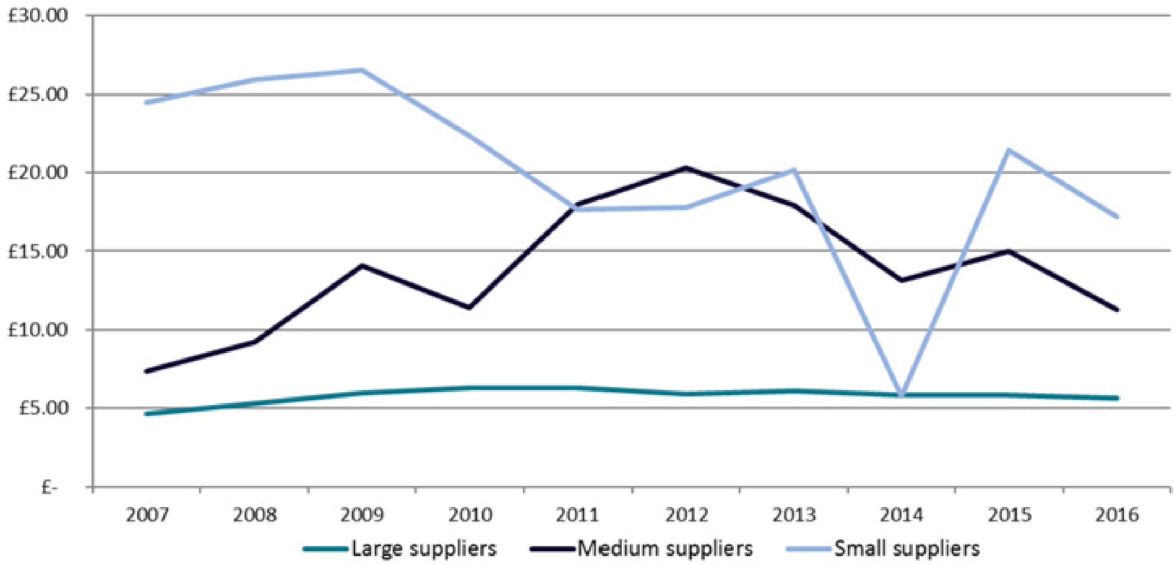
These averages reflect diverse practices among small and medium suppliers, some of which have figures that are similar to large suppliers.

We identified a number of suppliers with a high proportion of electricity credit customers with new debt repayment arrangements set at over £15; these include Good Energy (47%), iSupply Energy (45%) and Green Star Energy (41%).[61]

Some suppliers suggested this was due to their more engaged and affluent customers choosing to repay more. While we recognise it can be in the customers' interest to repay their debt as soon as they can afford to, we are concerned that this may not be the case for all customers.

[61] The following suppliers also have a high proportion of electricity credit customers with new debt repayment arrangements set at over £15 but for a very small numbers of customers: Axis Telecom (50%) and Economy Energy (70%).

Figure 13: Average real terms weekly repayment rates for electricity customers in debt repaying via credit (trend is similar for gas) (in 2016 prices) – by supplier type



The Citizens Advice Extra Help Unit case study below shows the importance of having adequate billing systems, identifying individual's circumstances, and setting up debt repayment plans based on the customer's ability to pay.[62]

Fuel Direct

We require suppliers to offer customers in payment difficulty a range of options for repayment including by using - where available - a means by which payments may be deducted at source from a social security benefit received by that customer (ie Fuel Direct). The number of customers paying via Fuel Direct has continued to reduce since its peak in 2011.

Key findings: Prepayment customers switching to better deals

On 1 April 2017, we set the initial level of the prepayment price cap, introduced following the CMA's investigation to protect prepayment customers that benefit least from competition and typically do not have access to the cheapest tariffs on the market.

Since then, the market average standard variable tariff (SVT) has fallen by around £70 for a dual fuel prepayment customer with typical energy use. As of

Extra Help Unit case study

A consumer with complex health conditions including a rare blood disorder had recently spent a long period in hospital with blood infections. She received Personal Independence Payment benefit. When the customer switched supplier, the new supplier told her the gas had not transferred correctly and that they only held the electricity supply. The customer was told this more than once, however, the gas supply had transferred.

Over a year later, the supplier issued a gas and electricity bill for **£2,000**. The customer was in hospital at this time and did not become aware of the bill until later. The supplier threatened court action for a warrant of entry, and she had agreed to pay **£157** per month for ongoing usage and debt although this was not affordable.

Following the EHU complaint, the supplier applied a back-billing reduction of **£396** and applied a new tariff that allowed the customer to pay **£100** per month for ongoing usage. A balance of **£2,859** remained and at this point, the supplier applied a goodwill gesture and recommended the customer apply for its hardship fund. Initial enquiries suggested the customer would be successful in this application given her circumstances.

[62] Citizens Advice Extra Help Unit specialises in investigating energy complaints on behalf of vulnerable consumers. See more here.

June 2017, the market average direct debit SVT was around £88 more expensive than the prepayment SVT, reversing a long-term trend.

However, prepayment customers are still unable to access the cheapest fixed-term deals. A prepayment customer could save up to £208 where they are able to switch to the cheapest direct debit tariff in the market.[63] It is important that prepayment customers can switch to a better deal whether this is switching to another supplier to save money or switching payment method.

More indebted prepayment customers are switching to prepayment tariffs with different suppliers, but the proportion of applicants who successfully switch remains very low

Prepayment customers with a debt below £500 per fuel are entitled to switch supplier through the debt assignment protocol (DAP). The DAP removes barriers to switching supplier by transferring consumers' debt to the new supplier, allowing them to access a better deal and in turn helping them to repay their debt sooner.

Comparing and switching tariffs

Being able to compare and switch to cheaper tariffs is important for customers in financial difficulty. This year, Consumer Engagement Survey found that first time switchers were more likely than other switchers to be:

- **On a lower income** (social grade DE) (25% first time v 15% other switchers)
- **Renting** (25% v 14%)
- **Using a PPM** (25% v 13%)

Disabled consumers switch supplier less than other consumers, but switch tariffs with the same supplier just as often. Only **48%** of disabled consumers said they are confident comparing deals compared to **60%** of other consumers. We encourage suppliers to do more to help vulnerable consumers switch to tariffs that are suited to their needs.

We modified the DAP process in May 2015 to make it easier for suppliers and customers.[64] Since then, we have seen a significant increase in the number of customers who successfully transferred to a new supplier under DAP and the proportion of all applicants who succeed (see Figure 14). This shows that not only are more customers applying, but also suppliers are dealing with these applications more effectively.

In 2016, the successful switches increased almost fourfold to 2,512 electricity and 2,630 gas customers. British Gas and E.ON lead the large suppliers on the proportion of customers who begin the DAP process and succeed with switching to a new supplier.

Yet the proportion of applicants who successfully switch through the DAP remains low at just 5%.[65] We think a higher proportion of switches are completed outside of the DAP (for example, a customer may repay their debt to the outgoing supplier in full partway through the switching process and switch to their chosen supplier without the need for debt transfer via the DAP).[66]

We expect the upward trend to continue following the implementation of further changes to the DAP process in December 2016.

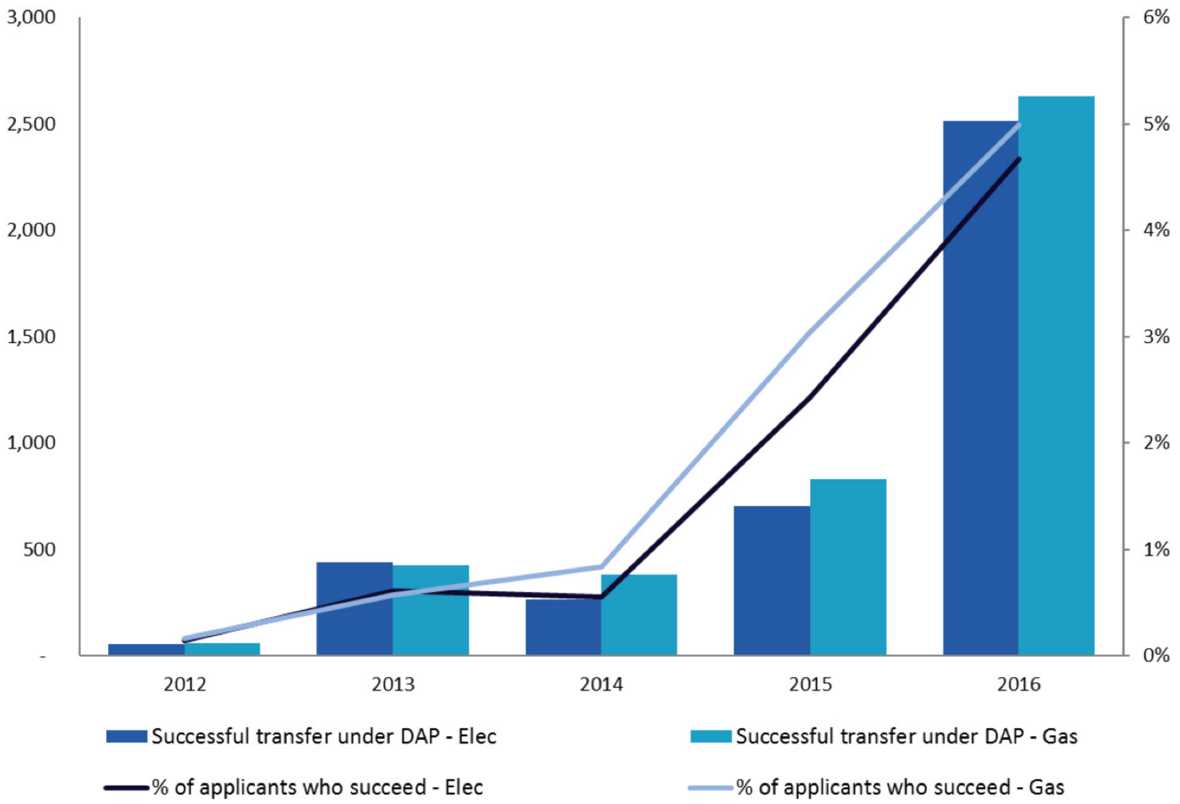
[63] Figures calculated based on Energy Helpline data, using the weighted average SVT tariffs across the largest 10 suppliers for a dual fuel customer and the cheapest direct debit tariff in the market for a dual fuel customer. Prices are a GB average as of 28 September 2017, and are calculated using the typical domestic consumption in line with the 2017 update (Electricity usage 3100 kWh and Gas usage 12,000 kWh). Any price changes are pushed through on announcement from the supplier as opposed to when the price change goes live.

[64] Ofgem (2017) Debt Assignment Protocol: CMA remedy implementation

[65] This is the proportion of all customers who apply for DAP (the issuing of a supply point objection) who successfully complete their transfer through the DAP process (a G/D0309 record).

[66] Ofgem (2017) Debt Assignment Protocol: CMA remedy implementation

Figure 14: The number of customers who successfully transferred to a new supplier under DAP and the proportion of applicants who succeed



The rate of switching from prepayment to credit has slowed for electricity customers and fallen for gas customers

The number of customers switching from prepayment to credit had been increasing since 2012; however, this year the rate of switching has slowed for electricity customers and fallen for gas customers (see Figure 15). Given the low proportion of prepayment customers currently repaying a debt, we would expect to see higher switching rates (see above Key findings: Repaying debt).

We are pleased that the number of refused requests to switch to credit from prepayment customers without debt, or cases where the customer could not comply with conditions, have fallen after a long-term increase. British Gas and ScottishPower had a much higher proportion of refused requests or cases where the customer could not comply (over 35% compared to well under 10% at the other large suppliers). They also have a low rate of successful transfers to credit meters.[67]

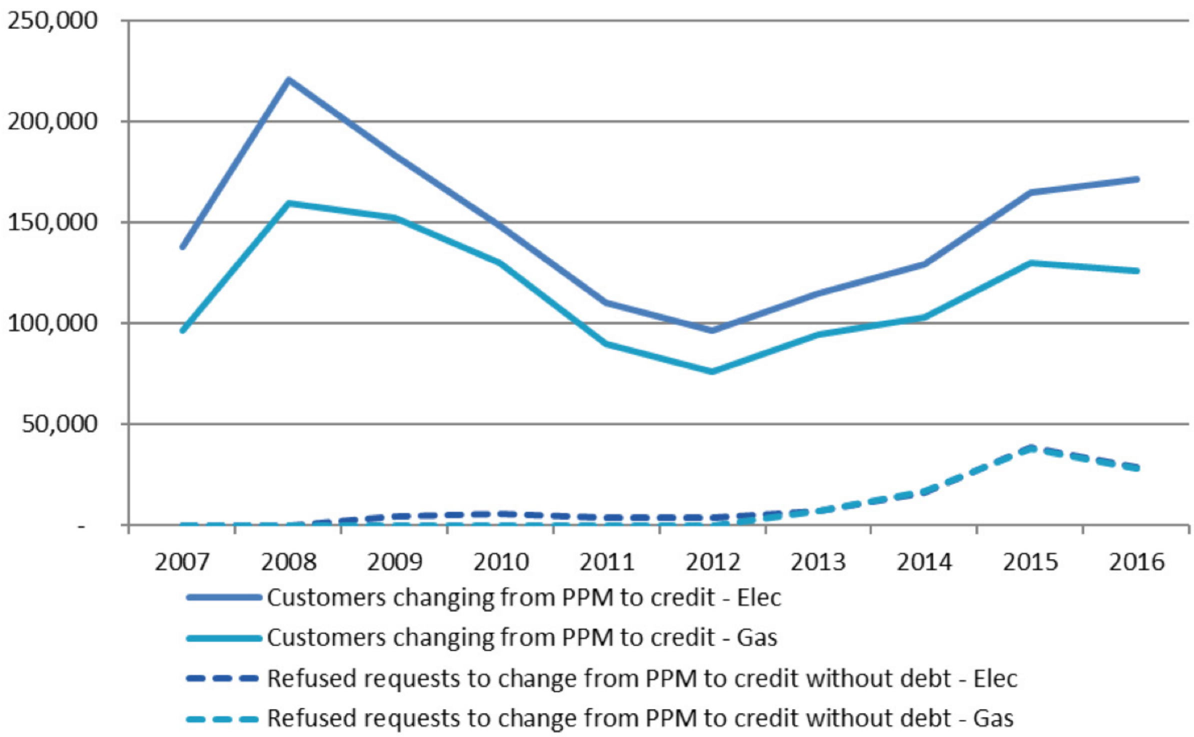
We recognise the importance of debt management to keep prices down for all customers. Suppliers can choose not to allow a prepayment customer to switch to a credit meter if the customer does not meet its conditions (such as a credit check or security deposit). Yet we want suppliers to do more to help debt-free prepayment customers to access cheaper deals.

We have seen proactive examples where suppliers have written to customers when they are eligible to switch from prepayment to credit. One supplier is considering running a trial to switch debt-free prepayment customers to smart credit meters.

[67] The proportion of requests that are refused is calculated assuming that all successful requests are from customers who do not have a debt (summing successful switches and requests which are refused). The rate of transfers to credit meters is the proportion of all PPMs at the supplier that are changed to credit meters in a given year. For electricity customers, 1% of ScottishPower's PPM customers and 3% of British Gas' PPM customers changed to credit in 2016, compared to between 5% and 10% at other large suppliers.

One supplier reviewed its approach to credit scoring at the beginning of the year. It lowered the credit score required before a customer could switch to credit and reduced the number of years' credit history they look at from four years to two years. As such, the supplier expects the number of refused switches to come down in 2017.

Figure 15: Customers switching from prepayment to credit and number of refused requests for customers with no debt



Key findings: energy efficiency advice

Energy efficiency advice can help customers reduce their bills and cut carbon emissions. Suppliers must maintain information about energy efficiency and sources from which customers may obtain additional information or assistance about measures to improve energy efficiency. This includes information about financial help available from government towards the costs of efficiency measures or information available through bodies in receipt of financial assistance (SLC 31.2). Suppliers must provide this information free of charge if the customer requests it via a telephone advice line and their website (SLC 31.3). Suppliers have to provide energy efficiency information to customers in payment difficulty (SLC 27.6(b)), and when a smart meter is installed.[68]

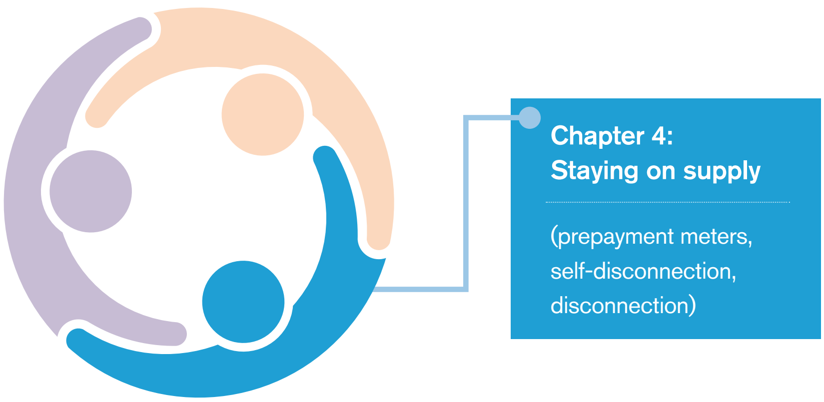
Despite signalling last year that customers, especially financially vulnerable customers, would benefit from more proactive energy efficiency advice, the number of customers who receive this advice from their suppliers fell slightly. The number of customers calling their supplier's energy efficiency advice line increased slightly, but this is still lower than historical figures. More customers are using suppliers' energy efficiency web pages. We have asked suppliers to do more for customers in payment difficulty and we expect to see evidence of this in the coming year.

[68] SMICoP (2017) Smart Meter Installation Code of Practice

4. Staying on supply

Chapter purpose

Energy is an essential service. Ensuring that customers in vulnerable situations have continuous access to heat and light is vital to health and wellbeing. Financially vulnerable and indebted customers are at higher risk of going off supply when they use a prepayment meter (PPM). This is because PPMs carry an inherent risk of self-disconnection for consumers who are unable or cannot afford to top up due to their circumstances.[69] Disconnecting a customer's energy supply should be a last resort and avoided wherever possible. There are restrictions on suppliers disconnecting pensioners in winter or anyone whose debt their supplier has not taken all reasonable steps to recover first by using a PPM. This chapter explores how suppliers are helping vulnerable customers to stay on supply.[70]



2016 findings at a glance…

- The number of customers using PPMs has fallen very slightly for the first time in 10 years. At the same time, a growing proportion of prepayment customers have smart meters, reaching around 15% of all PPMs. Certain medium suppliers are driving the rise in smart PPMs.
- The number of PPMs installed for debt under warrant has fallen, but not as fast as the number of customers in debt. Some medium and large suppliers continue to carry out much higher levels of PPM installations under warrant per 1,000 customers in debt. Utility Warehouse, Ovo Energy and British Gas continue to carry out high levels of installations under warrant.[71]
- The number of disconnections fell by 17% to 210 customers, continuing a long-term decline. The number of suppliers disconnecting any customers fell from eight in 2015 to five in 2016. There were no disconnections for customers with smart meters. There were just three disconnections in Wales and one in Scotland.

[69] Customers who use prepayment meters are more likely to be vulnerable and fuel poor. There are higher numbers of prepayment meters in social rental properties, and in the homes of people on low incomes and those who have a disability.

[70] Chapter 3 explores repayment rates for customers on prepayment meters. Setting affordable repayment rates is the first stage in helping these customers to stay on supply.

[71] Per 1,000 customers with new debt repayment arrangements in this period.

What we expect of suppliers

Ensuring it is safe and practicable to use PPMs

To help prepayment customers stay on supply, suppliers must ensure that it is safe and reasonably practicable to use a PPM (SLC 28.1(A) and 28.1(B)). For example, suppliers must ensure that the meter is accessible for consumers. A meter is not accessible if the consumer is in a wheel chair and the meter is in the basement. Nor is it practicable for consumers who have to travel a long distance to top-up their meter at a shop. We updated our guidance on the interpretation of "safe and reasonably practicable" in 2016.[72]

SLC 28.1 requires suppliers to provide information to consumers prior to or upon installation of a PPM so they understand how to operate their meter, and how to top-up and stay on supply. This includes giving customers information on the advantages and disadvantages of PPMs, and details about where they can get help if the meter is not working.

Under SLC 28.1A, where suppliers become aware or have reason to believe it is no longer safe and reasonably practicable for the customer to use a PPM, they must offer:

- To alter the position of or replace the PPM with a specially adapted PPM if it would make it safe and reasonably practicable to continue using the PPM;
- To make other necessary arrangements to ensure it is safe and reasonably practicable for the customer to continue using the PPM; or
- A facility for the customer to pay charges through a means other than a PPM, including by collecting payment from customers in payment difficulty by deducting from a social security benefit received by that customer.

These protections aim to reduce the risk of self-disconnection.

Only using warrants to install PPMs as a last resort to avoid disconnection

When a customer falls into debt, suppliers must always offer them a range of debt repayment options – including the option to repay via a PPM – to customers. If no payment arrangement is agreed, suppliers may obtain a warrant to install a PPM to secure payment for ongoing energy use and debt repayments. This must be a last resort to avoid disconnecting the customer. Force fitting a PPM under warrant can be an upsetting experience and customers are often required to pay for the warrant process, further exacerbating their debt.[73]

We recently consulted on new obligations to protect consumers going through the warrant process. We would like suppliers to shift their focus to ensure they make every effort to engage fully with customers in the debt path, improve their conduct and only force-fit PPMs as a last resort.

Disconnecting customers should always be a last resort

Disconnecting a customer's energy supply should always be a last resort and avoided wherever possible. SLC 27 prohibits suppliers from disconnecting pensioners during winter, and requires suppliers to take all reasonable steps to avoid disconnecting premises that include any pensioners, disabled or chronically sick customers in winter. Suppliers must not disconnect anyone whose debt they have not taken all reasonable steps to recover first by using a PPM.

Our Standards of Conduct require all suppliers to treat each customer fairly. We expect suppliers to consider on a case-by-case basis whether it is fair to disconnect customers.

[72] Ofgem (2016) Authority's decision to Modify the Safe and Reasonably Practicable Guidance, pursuant to Standard Licence Condition 28.1B of the Electricity Supply Licence and the Gas Supply Licence

[73] Ofgem (2017) Prepayment meters installed under warrant: statutory consultation

Since January 2016, under the amended Guaranteed Standards of Performance, if a supplier disconnects a customer's meter for non-payment of charges, and does not reconnect the meter within 24 hours of the customer paying the charges or setting up a repayment plan, the supplier must pay the customer £30 compensation.[74]

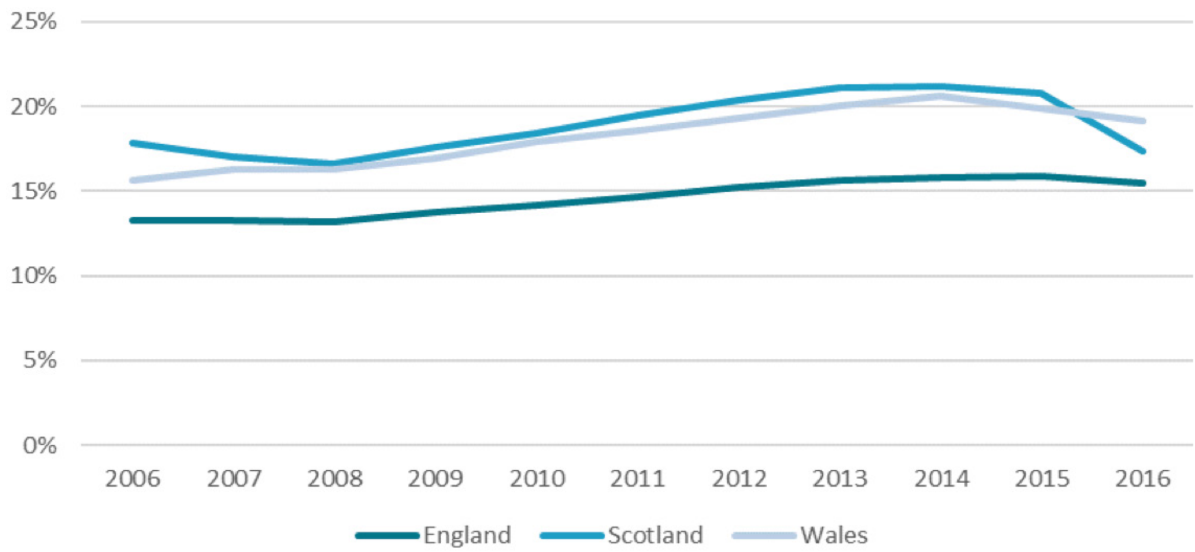
The six largest suppliers have formally signed up to Energy UK's 'Safety Net' which includes a commitment to never knowingly disconnect customers in vulnerable situations at any time of the year, and to reconnect those subsequently identified as vulnerable as a priority and usually within 24 hours.[75] Signatories undergo an audit each year to measure how they deliver against the Safety Net objectives.

Key findings: PPMs, including installations under warrant

The total number of customers using PPMs fell slightly in 2016, following a year-on-year increase since monitoring started in 2006

There are around 4.5 million electricity customers and 3.5 million gas customers who are on a PPM. Between 2015 and 2016, the number fell by over 100,000 for electricity meters and 14,000 for gas meters. Figure 16 shows that a higher proportion of customers are using PPMs in Scotland and Wales than in England for both fuel types.

Figure 16: The proportion of electricity customers on a PPM in each nation
(trend is similar for gas)

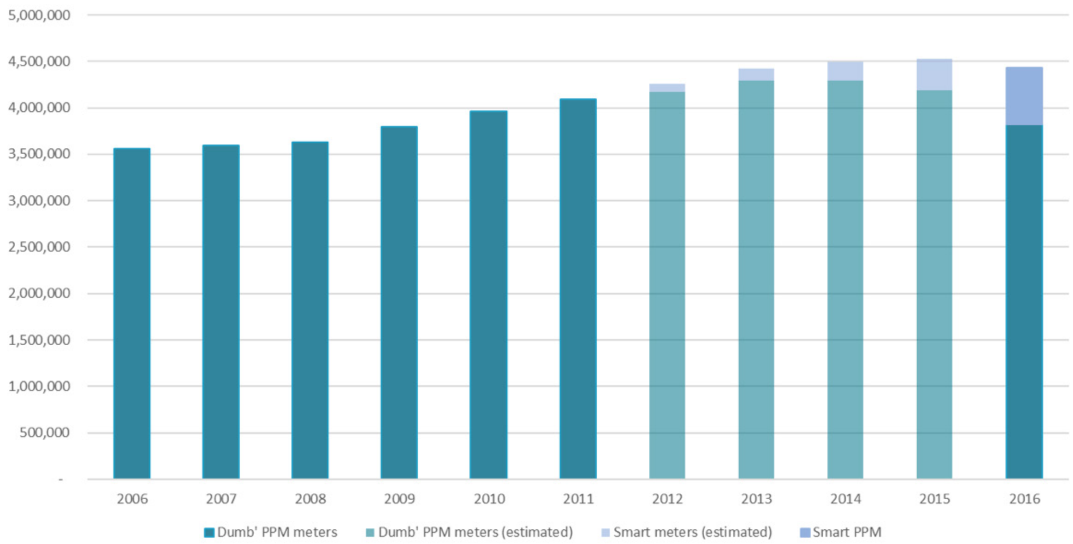


[74] Ofgem (2014) Supplier Guaranteed and Overall Standards of Performance - statutory consultation and proposals and Ofgem (2015) Supplier Guaranteed and Overall Standards of Performance reforms – Final decision and statutory instrument

[75] Energy UK (2016) The Energy UK Safety Net

A growing proportion of PPMs are smart meters (see Figure 17). This makes the meter more convenient for the customer and makes it easier to switch to credit mode. A higher proportion of PPMs are smart (14% and 16% for electricity and gas respectively) compared to credit meters (12% and 10%). We have estimated the number of smart PPMs in the market prior to 2016 to estimate the trends in 'traditional meters' and smart PPMs.[76]

Figure 17: 'Traditional meters' and 'Smart' PPM trends, with faded colours for the years where data is estimated



Almost twice as many customers had a PPM repositioned free of charge at their request in 2016 than in 2015

2,374 PPMs (either electricity meters or gas meters) were repositioned free of charge in 2016 compared to 1,218 in 2015. This shows suppliers are doing more to make it safe and practicable for customers to use their PPM, helping to reduce the risk of self-disconnection to stay on supply.

Some medium and large suppliers must do much more to avoid installing PPMs under warrant

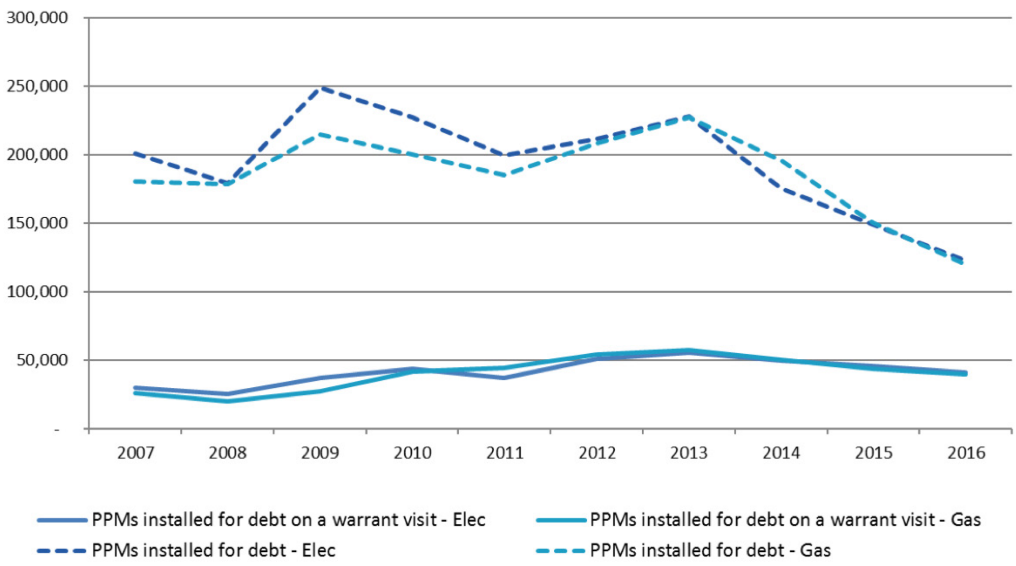
The absolute number of PPMs installed for debt under warrant has fallen from its peak in 2013 at around 55,000 for electricity customers and 57,500 gas customers, to around 41,000 electricity and 39,500 gas customers in 2016. However, this has not been as fast as the fall in number of customers in debt or number of PPM installations for debt (see Figure 18).

Some medium and large suppliers continue to carry out much higher levels of PPM installations under warrant per 1,000 customers with new debt repayment arrangements in the period. In 2016,

[76] We first collected data on the number of smart PPMs in 2016. However, in previous years we collected data on the number of smart meters. We estimated this trend by assuming that the proportion of smart meters operating in PPM mode was similar in earlier years.

Utility Warehouse installed over 500 PPMs under warrant per 1,000 customers newly in debt, more than ten times higher than the average rate among large suppliers of under 50. Ovo Energy also has very high rates. British Gas was the highest installer of the large suppliers, installing 21 more PPMs under warrant per 1,000 customers newly in debt than the second highest large supplier. Small suppliers generally do not use warrants.

Figure 18: Number of PPMs installed for debt under warrant and PPMs installed for debt



To protect consumers from experiencing more debt or hardship due to PPM warrant installations, we are proposing to cap warrant charges for all customers and entirely prohibit charges and installation in certain cases.[77]

[77] Ofgem (2017) Prepayment meters installed under warrant: statutory consultation

Key findings: Disconnections

Suppliers disconnected fewer customers for debt in 2016 than in 2015

210 customers were disconnected for debt in 2016 compared to 253 in 2015 (see Figure 19). This continues the general downward trend in disconnections and shows that suppliers are finding ways to avoid disconnecting customers for debt. There were two electricity disconnections in error in 2016, down from three in 2015. There were no gas disconnections in error in either years. No vulnerable customers were reported as being disconnected in 2016.

There have been no smart disconnections for debt reported in all years. Smart meter customers can be subject to load limiting and credit limiting, where the supplier limits the flow of electricity supplied to a customer. Both of these practices can be equivalent to disconnecting a customer. We are pleased that suppliers did not subject any customers to load limiting or credit limiting in 2016

Npower carried out the majority of disconnections in 2016 as in 2015, followed by Utility Warehouse

Relative to their size, Npower and Utility Warehouse disconnected most customers for debt per million customers in debt. We are pleased that Npower is conducting a full review of its disconnection processes. We are also pleased that Utility Warehouse stopped disconnecting domestic customers for debt in September 2016. EDF, SSE and Ecotricity were the only other suppliers to disconnect any customers for debt.

The rate of disconnections is lower in Scotland and Wales than in England

In Scotland, there were zero electricity disconnections and one gas disconnection in 2016, while in Wales there was one electricity disconnection and two gas disconnections. This may be because suppliers with high rates of disconnections hold a smaller proportion of the market in Scotland and Wales.

Extra Help Unit case study

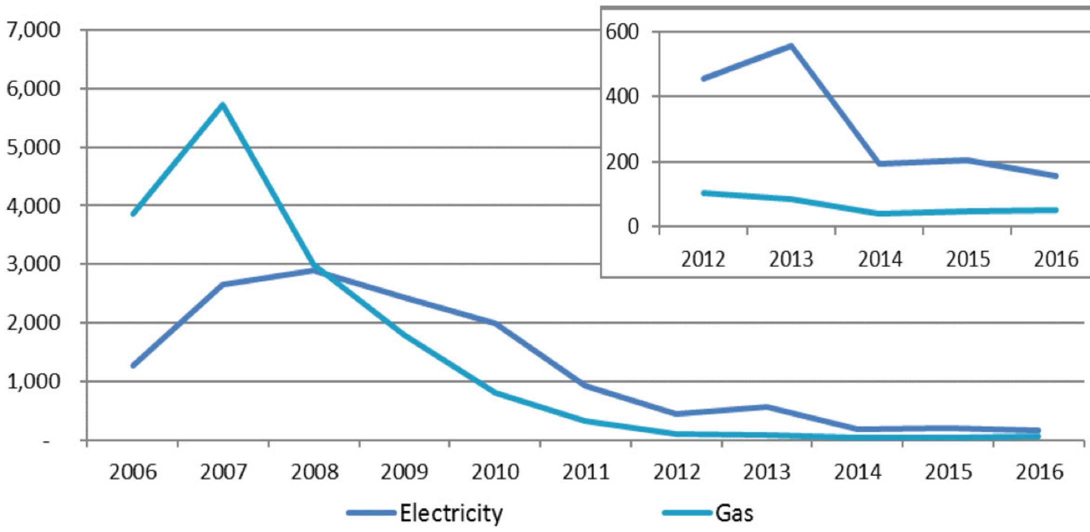
A consumer was in receipt of benefits and had accrued debt with her supplier when her ex-husband became unemployed and had stopped paying maintenance costs. She lived with her two sons, one of whom was autistic and needed a strict routine to manage his condition. He also had anxiety and additional support needs.

The supplier refused previous repayment offers made by the customer and by a debt charity, whom the customer had asked to help. The supplier installed a **PPM under warrant**. The customer complained to her supplier, as she did not think a PPM was suitable due to her son's vulnerability. She was unsure whether she would be able to afford to stay on supply and was **concerned about self-disconnection**, which would disrupt her son's routine and exacerbate his condition.

The supplier said they would not reinstall credit meters unless she paid the outstanding debt in full. When the EHU contacted the supplier, they agreed to fast track her application to their trust fund to clear the balance. They reinstalled credit meters and paid a goodwill gesture to the customer.

Suppliers must ensure they **explore all debt recovery options** and make sure that it is safe and reasonably practical before installing a PPM. We think the supplier in this case could have done more.

Figure 19: Annual disconnections for gas and electricity customers



Key findings: Self-disconnection and self-rationing

Self-disconnection occurs when a prepayment customer does not have enough money to top up their meter, or when they do not realise that credit on the meter is running out. Citizens Advice estimated that 15% of prepayment customers self-disconnect at least once per year by not topping up their PPM.[78] Consumers in financial vulnerability may also self-ration by deliberately limiting their energy use to save money, or restricting spending in other areas to pay their energy bills.[79]

Self-disconnection and severe self-rationing can cause or exacerbate existing health problems.[80] The National Institute for Health Care Excellence found a strong relationship between excess mortality and illness due to cold homes and factors such as age, disability and deprivation.[81] Cold weather also has an indirect effect on mental ill health.[82] Christians Against Poverty found that one in two of their PPM clients had gone without heating for at least one week over winter.[83]

Suppliers need to be aware of the possible impacts of the transition to Universal Credit (UC), during which PPM customers will be particularly at risk of self-disconnecting. UC claimants will have to wait around five to six weeks before receiving their first payment. Citizens Advice found people struggle financially during this period and see more debt problems.[84] Claimants who are not used to budgeting on a monthly basis will have to adapt and get used to planning over a longer period. These customers are likely to need advice on financial planning.[85]

In 2016, Energy UK and Citizens Advice published principles to address concerns about customers who are, or may be, at risk of self-disconnection.[86] These encompass our existing licence obligations relating to prepayment and provide guidance to help suppliers

[78] Citizen Advice (2014) Topping up or dropping out - Citizens Advice will soon be publishing a report on self-disconnection

[79] Christians Against Poverty (2015) The poor pay more: prepayment meters and self-disconnection

[80] Where a customer has to choose between heating their home and having a hot meal.

[81] National Institute for Health and Care Excellence (2016) Preventing excess winter deaths and illness associated with cold homes

[82] Ibid.

[83] Christians Against Poverty (2015) The poor pay more: prepayment meters and self-disconnection

[84] Citizens Advice (2017) Delivering on Universal Credit

[85] Ibid.

[86] Energy UK (2016) Prepayment Principles. To date, there are 13 signatories to the principles: Bristol Energy, British Gas, Cooperative Energy, Ecotricity, EDF, E.ON, First Utility, Good Energy, npower, ScottishPower, SSE and Utility Warehouse. Utilita became signatories in November 2016.

comply with these. Not all suppliers have signed up to these principles and we recommend that they do.

Citizens Advice is currently undertaking a programme of work on self-disconnection. This will include research into the scale and impact of self-disconnection in the UK. Their evidence suggests energy suppliers do not always make customers aware of alternative options for repaying their debt, such as Fuel Direct. When they surveyed their Network Panel, 78% said clients were not aware they could repay their debts via Fuel Direct. Citizens Advice will explore these areas in its forthcoming self-disconnection report.

We have seen some good practice to help customers facing self-disconnection.

- Npower's Fuel Bank, developed in partnership with The Trussell Trust, supports people referred to foodbanks who have to choose between heating and eating. Foodbanks involved in the scheme provide emergency top-up vouchers to foodbank users with a PPM who are in fuel poverty. Customers do not have to be with Npower. The vouchers provide around two weeks' worth of emergency fuel at no cost. The scheme had helped 44,000 PPM customers by the end of 2016.
- E.ON reviewed and changed its approach to discretionary credit and training. By incorporating good practice published by Citizens Advice, E.ON has been providing customers who are at risk of self-disconnection with support that is more consistent. A key aspect was to provide customer advisors with a new tool to calculate the right amount of discretionary credit for customers based on their particular circumstances - rather than just giving them an arbitrary amount that could run out very quickly. Between August and November 2016, 201 customers benefitted.

Reducing the risk of self-disconnection using smart prepayment

Smart meters can lead to better outcomes for PPM customers by making it easier for customers to top-up and switch between prepayment and credit modes. Smart meters will also allow suppliers to monitor consumption to assess the risk of self-disconnection. As with traditional PPMs, where there is a risk, suppliers can offer short-term support to get the customer back on supply, including emergency, discretionary and friendly credit (see below). Smart PPMs can also help consumers budget using tools such as low credit alerts and high consumption alerts.

Suppliers need to ensure they consider the needs of vulnerable customers in the smart meter rollout, through all stages of the consumer journey. Our decision on smart prepayment sets out our aims and expectations.[87] Citizens Advice recently published research explaining how suppliers can support vulnerable customers during the smart rollout.[88]

This year, we started collecting information on smart prepayment functionalities that help consumers to manage their bills and protect against self-disconnection.

- Suppliers offer emergency credit when a customer runs out of money and is unable to top-up. All suppliers that offer smart prepayment provide emergency credit: most offer £5 or £10 and the customer pays this back the next time they top up.
- Friendly credit allows a customer to have a continuous supply during the evenings, weekends and bank holidays. All suppliers that offer smart prepayment provide friendly credit, except for one gas supplier who only currently has small numbers of smart prepayment customers.
- All but one of the suppliers currently installing smart meters (13) offer low credit alerts. Most suppliers offer these alerts via the In Home Display (IHD). Two suppliers offer email alerts, and three offer text alerts. Nine electricity suppliers and ten gas suppliers offer high consumption alerts, mainly through the IHD.

[87] Ofgem (2016) Smart prepayment for a smarter market

[88] Citizens Advice (2017) Smart support: support for vulnerable consumers in the smart meter roll-out

5. Next steps

This report highlights a wide variation in the outcomes that vulnerable consumers drive up standards. We urge industry to consider how to respond to our key findings and to drive up standards.

We have just published an update on our work to extend price protection to more vulnerable consumers. We are extending the prepayment safeguard tariff to 1 million more households this winter, to protect vulnerable customers from overpaying. These households will save around £120 a year on average.

A new enforceable vulnerability principle is a key part of our consumer-focused reforms to the domestic Standards of Conduct. This new regulatory framework makes it very clear to all suppliers that they must put consumers, including those in vulnerable situations, at the heart of everything they do from the very beginning.

Against this backdrop, we are calling on industry to respond to the trends and issues presented in this report. We will continue to monitor the improvement areas that we have identified in this report, engaging bilaterally with suppliers.

We will ensure that suppliers comply with our rules, challenge poor performance and act where industry behaviour fails to meet obligations for consumers in vulnerable situations. We stand ready to take action to protect consumers' interests where we see they have poor experiences.

We will shortly publish a consultation on revisions to the Social Obligations reporting framework in 2017/18. We will propose changes to the data we collect that will ensure that we capture the most important indicators of supplier performance while minimising the reporting burden. Our monitoring will continue to identify good practice and inform policy.

We look forward to continuing our dialogue with industry to do more to improve outcomes for consumers in vulnerable situations.