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Making a positive difference
for energy consumers

Report

Consumer Protection Report: Autumn 2021

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Executive Summary

Our principal duty is to protect the interests of existing and future consumers. At the heart of our work is a commitment to support and protect consumers in vulnerable situations. Over recent weeks there has been an unprecedented increase in global gas prices, which has added increased financial pressure on suppliers. Ofgem stands ready to work with government, NGOs, and the industry to find ways to mitigate some of the worst impacts of any future price change on customers – particularly the most vulnerable customer groups. The energy price cap covers around 15 million households and will ensure that consumers, especially people in vulnerable circumstances, don't pay more than is absolutely necessary this winter - making sure only legitimate costs to supply energy feed into the rates customers pay.

The level of the price cap increased on 1 October 2021, to reflect the rise we saw in energy costs earlier in the year. Higher energy costs are challenging for consumers, and the timing and size of this increase will be particularly difficult for many families still struggling with the impact of the pandemic. Anyone struggling to pay their energy bills should get in touch with their supplier to access the help that's available.

Energy companies have a duty to support consumers in vulnerable situations through their licence obligations and other legal requirements (such as the Equality Act 2010). This report presents our assessment of how the energy market is working for these consumers. We've drawn on the latest domestic suppliers' social obligations data, as well as our extensive engagement with consumer groups and charities over the COVID-19 period, up to Q2 2021.

We have put strong rules in place to ensure suppliers treat customers fairly who are struggling with bills and welcome their commitment to reach out to those who most need help this winter. We have worked closely with the industry trade body Energy UK and energy suppliers to agree a set of fresh commitments ahead of the winter. The aim of the commitment is to reinforce and promote the support that is available, proactively before winter. The new commitment and wider obligations placed under suppliers lead us to three core outcomes we want to see in the energy consumer experience:

- Consumers know that they can contact their supplier easily, and be treated fairly when they do;
- Consumers are aware that energy suppliers will directly provide support where appropriate, or signpost to a relevant organisation who can; and

- Consumers understand that energy suppliers must take into account an individual's ability to pay

We also welcome the follow up work underway via Energy UK's Vulnerability Commitment that was launched in 2020, developed as a result of the Commission for customers in vulnerable circumstances.

How have energy companies performed since 2020?

Prior to the recent rising gas price challenges seen in the market, 2020 was already a landmark year due to the impacts of the COVID-19 pandemic. In some cases this has presented enormous challenges for energy consumers with many struggling to afford to pay for their energy bills, some for the first time. Energy suppliers have stepped up and supported their customers in unprecedented ways.

In this report, we highlight areas of good practice that we have observed across the sector during this time and note poor practice where suppliers have fallen short of our expectations. As we look towards the Winter, we expect energy suppliers to maintain support for their vulnerable customers and those who are struggling financially and make improvements where necessary to deliver positive outcomes for consumers. We have set out how Ofgem and industry are working together to help to protect consumers this winter in Chapter 1 (see page 21).

Key trends we have observed

We set these key trends out in more detail in the 'Key Findings' infographic below, but our analysis of our Social Obligations Reporting (SOR) data suggests that:

- The total number of customers in debt fluctuated during the pandemic. In 2020, the number of customers repaying an energy debt held relatively steady, slightly decreasing towards the end of the year. During 2021, the number of customers who were repaying a debt to their supplier increased for both gas and electricity accounts. However, the actual level of this debt for customers with a repayment plan in place fell in Q2 2021.
- The number of prepayment meters (PPMs) force-fitted under warrant to recover debt decreased in 2020, although we recognise the potential impact of the COVID-19 restrictions on this decline.
- There was also an increase in the proportion of customers being remotely switched from PPM to credit. These are positive outcomes to see as smart meter customers can top up remotely and track credit and usage, reducing the possibility of customers experiencing 'bill shock'.

- There has been an increase in the number of customers signed up to the Priority Services Register (PSR); however, this has not been a sizeable increase in proportion with the increase in the number of vulnerable energy consumers as a result of the COVID-19 situation. We also saw a decrease on average in the number of PSR services provided to these customers.

We have identified areas of concern, which we set out in Chapter 2 of this report. These include areas of customer service standards, proactive identification of customers who require additional support and a small number of escalated debt recovery processes taking place too early. Where we feel suppliers have not made adequate efforts, we will engage through the compliance process and take action where appropriate.

We expect industry to respond to the findings and insights presented in this report. We aim to provide an update in our next edition of this report in 2022.

Feedback

We are keen to receive your comments about this report. Please send any general feedback comments to SORHelpdesk@ofgem.gov.uk.

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Key Findings

Inclusive services

The proportion of customers on suppliers' PSRs continued to increase in 2020 across all suppliers.

There are now 7,032,854 electricity consumers and 5,935,528 gas consumers on a PSR. This represents an increase of 2% for gas and electricity on the previous year.

The total number of PSR services that suppliers provided to customers decreased in 2020.

In 2020, the total number of services provided has reduced to 745,589 for electricity consumers and 559,931 for gas customers. For both gas and electricity, this reduction has been driven by medium and small suppliers. This represents a 15% decrease for electricity and 11% decrease for gas.

Debt and affordability

The total number of customers who owe money to their energy supplier has decreased slightly.

1,427,331 for electricity & **1,123,069** for gas

However, customers in debt with a repayment plan has decreased gradually. (725,814 for electricity; 568,371 for gas). This represents a 1.9% decrease for electricity and 3.4% decrease for gas.

There are also an increasing number of customers in arrears (without a repayment plan)

This has increased from:

694,191 in 2019 to **701,517** for electricity (an increase of 1%)

539,605 to **554,698** for gas (an increase of 2.8%)

This would imply that more customers are falling behind on their bills and are not being engaged with effectively, or that there might be a delay in contact.

Large suppliers continue to have a higher proportion of customers in debt on a repayment plan compared to small and medium suppliers.

55% for large suppliers compared to **34%** for small and medium (elec) and **54.8% vs 36.8%** (gas)

Average repayment rates are rising amongst large suppliers, and going down amongst small and medium suppliers, reversing previous trends.

For credit customers with large suppliers, the average repayment amount is **£7.86** (elec) and **£6.98.**

For medium and small suppliers, this is **£4.91** (elec) and **£3.79** (the trend is similar for PPM).

Staying on supply

The total number of force-fitted PPMs installed under warrant has decreased significantly, but numbers remain highest amongst medium suppliers

(**52%** compared to **15%** for large suppliers and **18%** for small suppliers).

The number of smart meters remotely switched from credit to prepayment to repay debt has decreased, continuing a declining trend since 2018.

67,239 smart meters were remotely switched from credit to PPM in order to repay a debt in 2020, compared to our last report, where we stated almost **70,000** smart meter were remotely switched.

1. Challenges energy consumers face in 2021

Section summary

The chapter will focus on the affordability of energy in the context of the COVID-19 pandemic and the impact that this has had on consumers. This includes a literature review of the latest consumer research reports and is based on our engagement with a variety of charities and consumer groups. We also include the latest market trends and include information on how Ofgem have continued to work to protect consumers.

1.1. Over the past year, the circumstances of many households and the way that they consume energy have changed as a result of the COVID-19 crisis. This has increased the risk that some consumers are in, or will get into, debt on their household bills, including energy. We also know that the pandemic has not affected all consumers equally. The impact of COVID-19 has been felt by all but there are communities whose finances have been hit the hardest. Ofgem is working closely with stakeholders to ensure an inclusive recovery and proactive support for those struggling to pay their energy bills.

1.2. There remains a significant amount of uncertainty as to the post COVID-19 affordability challenge consumers may face, but we recognise that this has the potential to impact people's lives on a different scale than in the past. The energy industry has played a key role in the national response to COVID-19 so far, and we share a common goal in supporting consumers, especially in these challenging times.

Energy usage has increased, alongside the cost of energy

1.3. As a result of the pandemic and changing consumption patterns, 48% of people think they are using more energy than normal.[1] This, combined with rising wholesale energy costs contributing to a rise in the price cap, can lead to an increased risk of customers experiencing 'bill shock'. PPM customers are at the highest risk that their payments are not covering their usage.[2] We expect suppliers to try and reduce the risk of bill shock by having a proactive strategy for obtaining regular and timely meter readings. It is pleasing to see

[1] Citizens Advice (2020) Recovery, or ruin? The role of accessible support in helping energy consumers through the crisis
[2] Ibid.

that the majority of suppliers have clear meter read strategies, coupled with fresh commitments from suppliers to take action before the coming winter.[3]

More people are worried about paying their bills

1.4. Research conducted earlier this year by the Department for Business, Energy, and Industrial Strategy (BEIS) highlights that four in ten households surveyed (40%) were either "very worried" (11%) or "fairly worried" (29%) about paying for their energy bills. Of those who were most worried, 56% said this was because energy bills were more expensive than other items, while 53% felt that they cannot easily 'go without' energy like they can for some of the other items.[4] The Fuel Bank Foundation has reported that 89% of people who reached out for support during the pandemic are currently struggling to top up their PPMs. 82% of people surveyed stated that the pandemic has made them more worried about running out of money to pay for energy.[5]

1.5. We require suppliers to have procedures in place so that customers know what support is available and it has been explicitly communicated to the customer how to secure that support if required. We expect suppliers to meet this expectation through providing clear and accessible customer communications in line with the Standards of Conduct, including in written communications, how customer service agents communicate, appropriateness of the information provided and general customer service processes.[6]

More people are getting into debt as a result of the pandemic

1.6. According to our data, debt levels fluctuated throughout the pandemic. During 2020, we saw a spike in the levels of arrears in the first half of the year, which then started to decrease and returned to pre-COVID levels by the end of the year.[7]

1.7. The number of customers repaying an energy debt held relatively steady throughout 2020. The number of customers paying off a debt or repayment plan was similar to the number of customers moving onto one. This suggests that repayment plans are being used

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[3] See Energy UK's voluntary winter commitments. Commitment three includes ensuring bills are as accurate as they can be, by encouraging customers to provide meter readings ahead of winter, and where appropriate, initiate debt management conversations.
[4] BEIS (2021) Public Attitudes Tracker: Wave 37. (March 2021)
[5] Fuel Bank Foundation (2021) Fuel Crisis Report
[6] See Standard Licence Condition 0 in the gas and electricity supply licence: Treating Domestic Customers Fairly
[7] See Ofgem Data Portal for latest Social Obligations Reporting (Q2 2021)

to address the build-up of arrears, and that some customers are already on repayment plans and have started paying off their debts.

1.8. During 2021, the number of domestic customers who were repaying a debt to their supplier increased for both gas and electricity accounts; however, the actual level of this debt for customers with a repayment plan in place fell in Q2 2021 for both gas and electricity customers.[8] This was caused by an increase in the number of new debt repayment arrangements being set up for customers with relatively low levels of debt and could be attributed to a proactive response by suppliers to ensure customers who accumulated relatively small levels of arrears during the pandemic are having debt repayment arrangements set up. A proactive response by suppliers in an attempt to engage with customers on their energy debt and set up a manageable repayment plan in response, is one way to help minimise the risk of a customer falling into problem debt and experiencing further detriment.

1.9. New rules introduced by Ofgem in 2020, which include a requirement for suppliers to ensure customers have affordable debt repayment arrangements in place, are likely to have contributed to this positive development.[9] We continue to encourage and expect suppliers to act quickly to establish debt repayment arrangements.

1.10. While it is positive that more consumers are on repayment plans, the number of domestic customers in arrears also increased in 2021.[10] In Q2 2021, the number of customers in arrears increased by 12% on previous quarter to 778,000 (2.8% of customers) in electricity and by 15% to 628,000 (2.4%) in gas.[11]

1.11. A number of research reports have been published looking at energy affordability throughout the pandemic. These give broader insight into the experiences of consumers and (energy) debt, beyond our quantative data. For instance, Money Advice Trust found that a third of adults in Britain (31%) report being financially worse off as a direct result of the pandemic. This rises to 58% for those who are unemployed.[12] Case study 1.1 below sets out just one example of how consumers' personal circumstances may have changed

[8] See Ofgem Data Portal
[9] Ofgem (2020) Self-disconnection and self-rationing decision
[10] We define 'arrears' as customers who have bills which remain outstanding for longer than 91 days (13 weeks) after they are issued and who have not yet set up a repayment arrangement.
[11] See Ofgem Data Portal
[12] Money Advice Trust (2021) The Cost of Covid

throughout the pandemic. The ONS found that over the course of 2020, almost 9 million people had to borrow more money than normal, with the proportion of people borrowing more than £1,000 since June to December 2020 increasing from 35% to 45%.[13]

Case Study 1.1: Money Advice Trust: Consumer Personal Experiences

Linda* had previously contacted National Debtline to seek assistance with bills she was struggling to keep up with. She successfully applied for a debt relief order (DRO), which Linda said *"[…] was a massive help"*. However, since Covid-19, Linda has struggled to find work, and is claiming Universal Credit for the first time. Linda has a £400 advance payment, but this did not cover the cost of her full rent or other bills. Regular Universal Credit payments are just enough to cover rent and food, although not essential bills, resulting in arrears building up.

"I've not paid any of my bills because I just pay my rent so I've got somewhere to live, and then whatever's left over I use for food and stuff. When I go food shopping I just buy the cheapest stuff I can possibly get and try and stretch it."

Linda was receiving the additional Universal Credit uplift of £20 a week, which ended in October 2021. Linda has been concerned about what will happen now the amount has dropped back to the usual level.

As a result of returning unexpectedly back into debt, Linda is struggling to cope emotionally;

''It's not a route I want to go down again, getting into debt. But at the moment it's looking impossible to not get in debt. I'm just hoping it doesn't snowball and I can get back to working soon. For a long time I had depression and I'd kind of got on top of that and stuff. But now I feel like it's affecting my mental health and my depression. I've not been able to go to the doctors because I can't get an appointment.''

Source: Money Advice Trust (December 2020) How people in debt are coping with the impact of Covid-19

** To protect anonymity, names have been changed and some identifying factors have been altered.*

1.12. StepChange reported that since the pandemic began, 14 million GB adults have experienced a fall in income, which has affected their ability to meet day-to-day costs.[14] The report also found that those who have experienced an income fall since the beginning of the pandemic are more likely to have a vulnerable characteristic.[15]

Risk of self-rationing is being heightened by constrained finances

1.13. Research published by the Fuel Bank Foundation in January this year suggested that Fuel Bank need had increased by approximately 23% since the outbreak of COVID-19, with demand in some areas increasing by over 300%.[16] The report also found that 96% of

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[13] Office for National Statistics (ONS) Personal and economic well-being in Great Britain: January 2021
[14] Step Change (2021) Stormy weather The impact of the Covid-19 pandemic on financial difficulty in January 2021
[15] Ibid.
[16] Fuel Bank Foundation (2021) Fuel Crisis Report: based on survey results with respondents who had previously accessed Fuel Bank services.

participants surveyed had to choose between topping up their energy meter and buying food, with 60% making that choice weekly or daily.[17] Furthermore, 91% had to ration when using heating and hot water, and 76% were doing this weekly, or daily.[18]

1.14. StepChange reported that 1 in 3 who experienced an income shock had experienced hardship, including rationing utilities and skipping meals, as highlighted through the case below.[19]

Case Study 1.2: Money Advice Trust: Consumer Personal Experiences

Ray* is separated and lives in rented accommodation with his three daughters. Previously, Ray worked as a paramedic and a self-employed first aid trainer, delivering training for schools and companies, since 2009. The pandemic and related issues such as social distancing measures and increased price of personal protective equipment have caused his business to suffer, resulting in Ray struggling financially.

Ray contacted Business Debtline to seek assistance in household bills arrears and credit card debts (used to cover business costs). Ray also owed money to HMRC for a period, when he wrongly thought he was classed as an employee. The credit card debts had then been passed on to bailiffs who had visited several times leaving him feeling helpless. *"I had a couple of bailiffs come round. I just said 'take what you want"*, and at one point his 15-year-old daughter answered the door to a bailiff.

As a result, Ray has been suffering stress and anxiety which is taking a toll on his mental and physical health, whilst also worrying for his children. He has often gone without food so his children can eat;

"I don't sleep anymore, I'm lying there thinking about how do I get paid, make money. There have been times when I'm up looking for jobs all night. I feed the kids but I don't really eat; I don't let them (his daughters) see it. I've probably lost about four stone. But feeding the kids is the priority."

Ray has had to alternate priority debt payments each month as he cannot afford to pay them all. The future is a real worry, and although the Self-Employment Income Support Scheme grant helped short term, he is "*worried sick*" about his financial situation going forward. Following advice from Business Debtline Ray has been considering bankruptcy as it "*would at least be able to give me some peace of mind, and I can start again without spending the whole day worried about people being on my back, so I can focus on building work"*.

Source: Money Advice Trust (December 2020) How people in debt are coping with the impact of Covid-19

**To protect anonymity, names have been changed and some identifying factors have been altered*

Contact with suppliers became more difficult during the pandemic

1.15. Contact with suppliers is another area where there is a difference in satisfaction across different consumer groups and individual suppliers. Energy consumer groups with a

[17] Ibid.
[18] Ibid.
[19] Step Change (2021) Stormy Weather

health problem or disability, a PPM and those without a smart meter have reported the poorest satisfaction ratings, particularly citing an inability to contact suppliers.[20]

1.16. Our consumer research suggests that among customers who have got in touch with their energy supplier, satisfaction has been consistently lower among customers paying by PPM or standard credit and those who have a disability.[21] These customers are also most likely to seek help from their supplier with paying bills or topping up and be less satisfied with the ease of understanding their bills.

1.17. According to Citizens Advice research, 1 in 7 people surveyed who tried to contact their supplier were unable to do so (14%). In 55% of cases where contact was not possible, their supplier did not respond.[22] Many who were struggling did not contact their supplier. Further, 1 in 3 people (32%) who failed to reach their supplier said it was because they could not find their contact details.[23]

1.18. 59% of people who had struggled to pay for energy in the past 6 months and had spoken to their supplier said the support options they got were helpful, but for 16% this wasn't the case. 46% of those surveyed have fallen further behind on energy bills since the pandemic, and 32% have paid some back.[24] The above findings could perhaps suggest that some suppliers may not be well geared to respond to people who do not fit the mould of individuals with a stable income paying via direct debit, who interact with their supplier only online.

1.19. We do have concerns regarding the prioritisation of customer service for people struggling to pay their bills. The Energy UK Vulnerability Commitment, which includes a commitment to conducting research to ensure suppliers' approaches to supporting vulnerable households is based on an informed and up-to-date understanding, has helped to drive improvements in this area with some suppliers undertaking research in this area for the first time. We set out our expectations and findings on customer service capacity in more detail in Chapter 3.

[20] Ofgem (2021) Consumer Perceptions of the Energy Market – Q2 2021
[21] Ibid.
[22] Citizens Advice (2020) Recovery, or ruin?
[23] Ibid.
[24] Ibid.

Switching suppliers remained stable during the pandemic

1.20. During the first half of this year switching figures fluctuated significantly, showing a big increase in March and a sharp drop in May 2021. Since then, they have remained relatively stable.[25] Furthermore, BEIS found that in March 2021, approximately a quarter (26%) of the public said they had switched their energy supplier in the last year. This is consistent with March 2020 findings, suggesting there have been neither more nor fewer people switching as a result of the pandemic.[26]

1.21. BEIS also found that those more likely to have switched at any stage included those aged 65+ (82%, compared with 46% of those aged 16 to 24) and homeowners (78%, compared with 57% of private renters and 59% of social renters).

Digital exclusion remains a barrier for some

1.22. In 2020, there were an estimated 9 million people in the UK unable to use the internet by themselves. Further, data shows that 7% of the UK (3.6 million) are almost completely offline.[27] Age remains the biggest indicator of whether an individual is 'online', with 52% of those 'offline' aged between 60 and 70. However, a significant percentage of those offline are under 60 (44%).

1.23. Evidence suggests that it is often the most vulnerable and disadvantaged who are the most likely to be digitally excluded; 42% of people with an impairment have 'low' or 'very low' digital engagement.[28] Research carried out by the Research Institute for Disabled Consumers (RiDC) found that those with disabilities face barriers in digital accessibility. Although most disabled people use smartphones (83%), one in four (26%) have had difficulties accessing or using apps. Almost half (44%) went on to uninstall or stop using an app due to this.[29]

1.24. Motivation is a key barrier to doing more online, with many citing a lack of interest and uncertainty of what they stand to gain.[30] However, the 'digitally disengaged' are likely to be spending more on household bills, including an average of £348 more per year on

[25] Ofgem analysis of data from DNOs and Xoserve. See Ofgem Data portal
[26] BEIS (2021) Public Attitudes Tracker
[27] Lloyds Bank (2020) Consumer Digital Index 2020
[28] Ibid.
[29] Research Institute for Disabled Consumers (RiDC): Research shows quarter of disabled people unable to use key apps
[30] Lloyds Bank (2020) Consumer Digital Index 2020

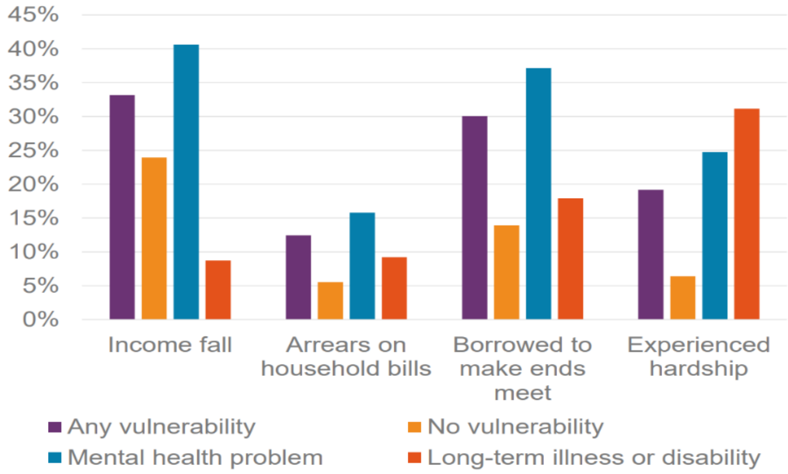
utilities bills, revealing a deep disadvantage economically by being offline.[31] The most common accessibility issues cited with apps include: difficulties in downloading and setting it up, poor navigation, not supporting accessibility features, crowded display, filling in forms and registering, and poor text size or font.

People with vulnerable characteristics have been more affected than others by the economic impact of COVID-19

1.25. The economic impact of COVID-19 on households' ability to afford bills has not been equally distributed amongst GB energy consumers. In many areas pre-existing inequalities have been exacerbated. The data shows that the more protected characteristics a person has, the more risk they bear and the most likely to be negatively affected by the impacts of the pandemic.[32]

1.26. Fair by Design found that there are several protected characteristics that are associated with an increased risk of poverty in the UK. The evidence suggests that certain groups with protected characteristics are more vulnerable and therefore the most likely to be negatively affected financially by the pandemic were those with protected characteristics.[33]

Figure 1.1 Adults with vulnerable characteristics



Source: StepChange (2021)

[31] Ibid. Correct at time of publication (May 2020)
[32] Fair by Design (2021) The Inequality of Poverty
[33] Ibid.

1.27. StepChange also found that those who have experienced an income fall since the beginning of the pandemic are more likely to have a vulnerable characteristic (see Figure 1.1 above). This reflects the high prevalence of mental health problems among those experiencing financial difficulty, as those with a non-mental health vulnerability are less likely to have experienced an income fall. Among adults with non-mental health vulnerabilities who were affected, arrears on household bills or hardship are, however, more common.

Disability

1.28. Disabled people and their households are likely to face additional costs to enjoy the same standard of living as non-disabled people or households.[34] In 2021, it was reported that the average UK household spends £1,214 a year on energy. However, over a quarter of households with a disabled person, roughly 4.1 million households, spend more than £1,500 a year on energy. Of these, 790,000 households spend over £2,500 a year on energy.[35] For many, this has been exacerbated further by the pandemic.

1.29. Research by Scope into the experiences of disabled people during the pandemic shows that whilst energy consumption has increased overall for most people, disabled customers had a higher increase compared with non-disabled people. Many disabled consumers have faced increased energy usage due to lockdowns and shielding forcing them to spend more time at home, which has caused financial concerns and difficulty paying bills as a result.[36]

1.30. Over half (54%) of disabled people interviewed by Scope say their energy usage has increased, and 45% say their energy bills have increased since the pandemic began. In addition, 28% are financially worse off due to the pandemic and 29% were concerned about being able to afford their energy bills over the next few months.

1.31. Concerningly, 86% of disabled people involved in Scope's research have had no contact with their energy supplier regarding concerns about bills, and for those who did over half were dissatisfied with the service they received.

[34] Fair by Design (2021) The Inequality of Poverty
[35] Scope (2021) Covid-19, energy suppliers, and their disabled customers
[36] Ibid.

1.32. Additionally, 20% of disabled people said they would not ask their supplier for support even if they needed it. According to Scope, this is due to a lack of trust in suppliers, being wary of discrimination, not being believed, and doubting that contacting suppliers would make any difference.

Race and ethnicity

1.33. The Financial Conduct Authority (FCA) have reported that the pandemic has interacted with pre-existing labour inequalities experienced by ethnic minority groups.[37] In line with this, Fair by Design found that these inequalities arise largely from their position in the labour market, as ethnic minority groups are more likely to work in low-income occupations, insecure work, and have a higher unemployment rate.[38]

1.34. As of the end of July 2020, the earnings of ethnic minorities had dropped by an average of 14% since the beginning of the pandemic, whereas earnings of White workers had dropped on average by 5%, highlighting the potential unequal initial impact of the pandemic. This drop in income was most felt by the Asian population.[39] At the same time, consumers from ethnic minorities are disproportionately more likely to worry about paying their energy bills. 31% of Asian/British Asian, and 31% of the Black/African/Caribbean and Black British community agreed or strongly agreed that they are concerned about struggling to pay their energy bills. By comparison, only 21% of White consumers agreed or strongly agreed with that statement.[40]

1.35. A briefing paper published in May 2021 by the Race Equality Foundation found that more than 20% of Black African, Bangladeshi, and Pakistani households, and more than 15% of Black Caribbean households, were behind on energy bill payments. The research found that this compared with less than 5% of White British households.[41]

1.36. Following a similar trend, FCA research revealed that ethnic minority individuals who had been employed in February 2020 were significantly more likely to have exited employment at some point during the pandemic (15.8% of ethnic minorities compared to

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[37] FCA (2021) Covid-19 and the UK's BAME communities – an economic perspective
[38] Fair by Design (2020) The Inequality of Poverty
[39] FCA (2021) Covid-19 and the UK's BAME communities – an economic perspective
[40] Internal analysis of an ethnicity boost survey (base = 300 household energy bill payers across GB) . The ethnicity boost survey was funded by Citizens Advice as an add-on to the quarterly *Consumer Perceptions of the Energy Market survey,* conducted by Accent Research.
[41] Inside Housing (2021) Racism and Housing

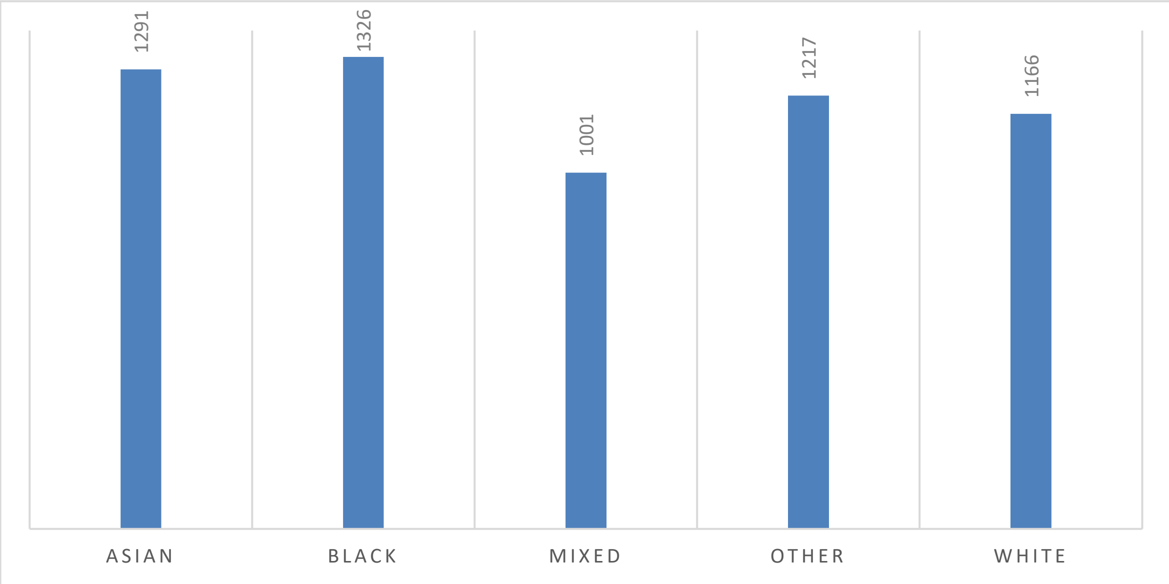
7.8% of white people).[42] Hence, according to the FCA, the negative impact of the pandemic on the earnings of ethnic minorities is largely due to the higher rate at which they exited employment.[43]

1.37. This has led to concerns felt by ethnic minorities regarding their ability to understand and pay their bills. Billing is an area that may not be working well for Asian and British Asian consumers, as 13% of Asian or British Asian consumers reported they are dissatisfied/very dissatisfied with the ease of understanding the bill. This compares with 9% of White consumers[44]. Among ethnic minorities, 43% were concerned about meeting bill commitments in the next three months, compared to 17% among White individuals.[45]

1.38. ONS data has shown some concerning trends in relation to household income and energy expenditure based on ethnicity.[46] The data shows that, on average, households in the bottom 3 income quintiles with a HRP (household reference person) of Asian, Black, Mixed or Other ethnicity typically have higher energy expenditure than households with a HRP of White ethnicity (See Figure 1.2 below). When ethnicity groups are broken down, the data shows that households with a HRP of Black ethnicity were found to have the lowest equivalised disposable income yet have the highest energy expenditure (5%) of all ethnicity groups.[47] Conversely, households with a HRP of White or Other ethnicity are shown on average to have the highest equivalised income and the lowest energy costs, as shown in Figure 1.3 below.

[42] FCA (2021) Covid-19 and the UK's BAME communities – an economic perspective
[43] Ibid.
[44] Internal analysis of an ethnicity boost survey (base = 300 household energy bill payers across GB) . The ethnicity boost survey was funded by Citizens Advice as an add-on to the quarterly Consumer Perceptions of the Energy Market survey, conducted by Accent Research.
[45] Ibid. Research conducted in February 2021.
[46] ONS (2021) Average household disposable income and energy expenditure by ethnicity, government region and sex breakdowns, UK, financial year ending 2020
[47] Ibid. The 'equivalised disposable income' is the total income of a household, after tax and other deductions, that is available for spending or saving, divided by the number of household members converted into equalised adults.

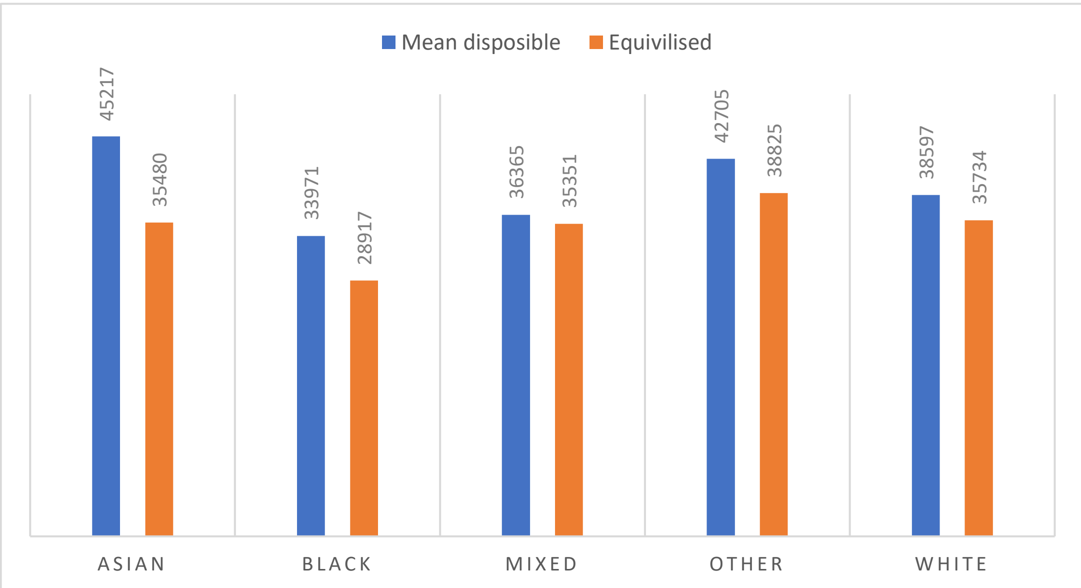
Figure 1.2 – Total annual energy expenditure by ethnicity group (in £)



Source: ONS (2021)

1.39. The ONS data suggests that energy expenditure is disproportionate to households' equivalised disposable income in regard to ethnicity, specifically with Black households suffering the most from high energy costs and low income. The data breakdown of ethnicity groups also highlights that including Asian, Black, Mixed or Other ethnicity groups together does not give an accurate representation of independent trends and experiences. It is clear that ethnicity groups should be analysed individually rather than grouped together to get a better understanding of how ethnicity affects energy affordability.

Figure 1.3: Mean and equivalised disposable income by ethnicity group (in £)



Source: ONS (2021)

Gender

1.40. According to the FCA's research on gender and personal finances during COVID-19, women have also been disproportionately impacted economically by the pandemic. The FCA found that 39% of women (10.3 million) reported that their financial situation had worsened between March and October 2020, compared to 37% of men (9.7 million), a small but statistically significant difference.

1.41. Looking at differences by age group shows that the highest proportion of those affected are women aged 18-24 (53%) and women aged 25-34 (48%). Women are also more likely to have cut back on essentials to cope with this (22% compared to 16% of men).[48]

1.42. The research shows that women were more likely to work in sectors which were 'closed down' due to lockdown including hospitality and retail, with 17 per cent of women working in such sectors compared with 13 per cent of men, suggesting women were more likely than men to lose their jobs and therefore incomes because of COVID-19.[49]

1.43. Further, 9% of single parents (62% of whom are women) say they have had to cut their hours or stop working to care for children or others.[50] The research suggests that single mothers are amongst the most economically disadvantaged by the pandemic because women on average earn less than men, and have lost income as a consequence of caring responsibilities.[51] In the 65+ age group, the differences are reversed with more men having seen their financial situation worsen compared to women.[52]

Ofgem and industry are working together to help to protect consumers this winter

1.44. Throughout the COVID-19 crisis we have worked closely with industry and government to ensure energy consumers' interests are protected as far as possible, including collaborating with BEIS on an energy industry agreement in March 2020 and making over £10m available in fuel vouchers as part of the Energy Redress Fund for PPM

[48] FCA (2021) Gender, personal finances and Covid-19
[49] Fair by Design (2020) The Inequality of Poverty
[50] FCA (2021) Gender, personal finances and Covid-19
[51] Fair by Design (2020) The Inequality of Poverty
[52] FCA (2021) Gender, personal finances and Covid-19

consumers at risk of self-disconnection due to COVID-19.[53] [54] To date, industry has stepped up to prioritise keeping consumers on supply, particularly the people who need energy the most with an extensive safety net in place.

1.45. As we move into the next phase of the pandemic, we want to make sure that the industry is prepared for the potential challenges ahead this winter, which can be exacerbated during the winter months when more energy is consumed. We worked closely with Energy UK and domestic suppliers on a winter support package which includes a set of fresh commitments to get to a place where the industry is prepared for the challenges that may lie ahead.[55] The winter commitment sends another positive signal to consumers on the support that is available should they need it.

1.46. The winter commitments build on existing licence conditions and the BEIS voluntary agreement, which already hold suppliers to a high standard.[56] We will closely monitor how suppliers are supporting customers who face difficulty paying their bills, in line with the rules they are required to follow. We intend to include an assessment on the impact of the winter commitments in our next report, which is due in 2022.

Recent compliance activity has helped to correct consumer detriment

1.47. Ofgem regularly undertakes compliance activity to ensure that suppliers have systems, processes and practices that are compliant with regulatory requirements in relation to assisting vulnerable customers. Throughout 2020 and 2021 we have engaged with several suppliers where we had concerns of potential consumer detriment.

1.48. In January 2020, we engaged with British Gas following their decision to change their top-up provider for PPM customers. This decision was poorly communicated to customers and British Gas left little time for customers to switch supplier, if they wanted to, before the change went live. British Gas acknowledged this and paid around £1.5 million in redress to affected customers and also agreed to pay £250,000 into the voluntary redress fund in recognition of its failings.[57]

[53] BEIS (2021) BEIS / domestic energy supply companies: agreement
[54] See Energy Redress Fund
[55] Energy UK (2021) Energy sector offers helping hand
[56] BEIS (2021) BEIS / domestic energy supply companies: agreement
[57] Ofgem (2020) Ofgem closes compliance case with British Gas

1.49. Throughout 2020, we engaged with 18 suppliers who had failed to maintain their customers' lower tariff prices when they decided to switch in response to a price rise. Collectively, these suppliers had overcharged over one million consumers over £7.2 million. The suppliers have all corrected non-compliant practices and affected customers have been notified and paid redress, including refunds and goodwill payments where possible, totalling £10.4 million.[58] We also engaged with suppliers in relation to ensuring restricted meter (RMI) customers were offered all Relevant Tariffs, meaning if they opted for a single-rate tariff then they should not be charged multiple standing charges. We found suppliers were not applying the rules correctly, resulting in 1,665 customers being overcharged £126,947.[59] This continues to be a priority area for Ofgem, and work is ongoing to ensure RMI customers are being treated fairly.

1.50. We published an open letter in December 2020 setting out our expectations to suppliers in relation to the backbilling rules, Standard Licence Condition (SLC) 21BA.[60] This rule protects domestic and microbusiness consumers from being charged for unbilled consumption over 12 months old, except for where a consumer has behaved in an obstructive or manifestly unreasonable way. Prior to this, we had concerns that suppliers were not applying this correctly.

1.51. We will continue to closely monitor how suppliers are supporting customers who face difficulty paying their bills over the coming autumn, winter and beyond to ensure that they are meeting their obligations. We will prioritise action where we feel suppliers have not made adequate efforts, engaging through the compliance process and taking action where appropriate.

[58] Ofgem (2021) 18 Suppliers agree to pay £10.4 million redress for price protection failings
[59] Ofgem (2021) Supplier Compliance with Requirements for Customers with Restricted Meters
[60] Ofgem (2020) Expectations for energy suppliers who are dealing with domestic and micro business consumers when undertaking charge recovery action

2. Poor practice

Section summary

This chapter outlines a set of clear and timely calls to action to energy suppliers where we have identified areas of poor practice for improvement. We will be monitoring these areas closely going forward.

Minimising the risk of 'bill shock'

2.1. We identified some poor practice amongst suppliers who only began to attempt to proactively obtain meter readings after failing to receive one from a customer for an extended period, or infrequently requesting readings from their customers.

2.2. We were particularly concerned to see that in 2020 there had been a significant reduction in quarterly reads for customers on a PSR (see figure 2.1 below). Infrequent meter readings can lead to inaccurate billing and 'bill shock', which may cause unnecessary stress and worry for consumers affected. While many suppliers proactively prompt their customers to provide reads regularly and ensure people registered via the PSR receive these in a timely manner, we are disappointed to see that this is not universal practice. Accurate, timely billing has been particularly vital in 2020, when many people's usage was higher than usual due to national lockdowns. The impact of COVID-19 and lockdown restrictions are likely to have prevented meter reading agents and engineers from visiting properties. However, if left unchecked by suppliers, customers could face a mounting debt balance, so **we expect to see these areas prioritised in the coming months and to see numbers of meter reads rise again by our next report.**

2.3. We also found that some suppliers did not have systems in place to be able to record the success rate of meter reading attempts or have root cause analysis tools to be able to accurately identify if or why bills were sent in error. We have seen that the worst performing suppliers commonly had billing errors cited as an issue.[61] The FCA found that as of October 2020, 53% of UK adults displayed one or more characteristics of vulnerability. Around a quarter of UK adults (27%) reported having low financial resilience and little

[61] See Citizens Advice Domestic energy supplier performance data (Q1 2020)

capacity to withstand financial shocks.[62] So, it is concerning to see that some suppliers may be estimating bills purely on the Estimated Annual Consumption or Annual Quarterly information from industry systems rather than more accurate information such as historical reading, as this can result in falsely inflated or underinflated bills. This information may be particularly inaccurate if consumers have changed consumption patterns as a result of COVID-19.

PSR service provision

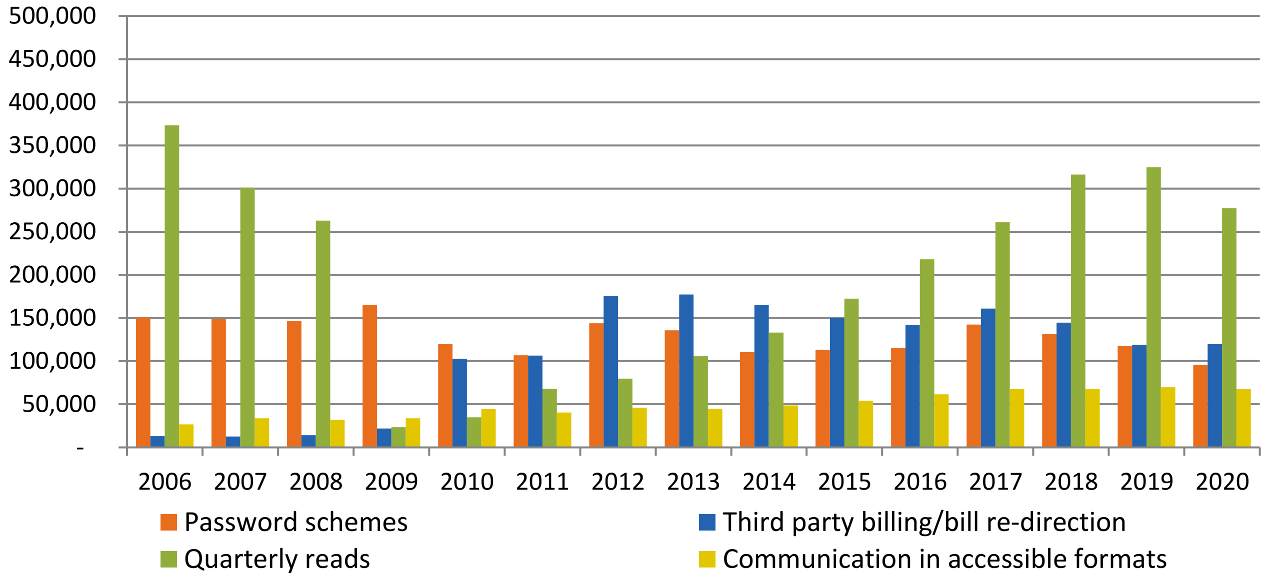
2.4. Aside from our concerns with meter reading provision, we are also concerned about the other PSR services provided by suppliers. The numbers of services offered seems to be out of step with need. For example, our data on service provision shows that third party billing/bill redirection was one of the most commonly provided services in 2020, continuing the trend we observed in our previous report.

2.5. However, we are concerned that this does not align with the number of people who require these services. For example, according to the Alzheimer's Society, there are around 850,000 people with dementia in the UK, and this is projected to rise to 1.6 million by 2040.[63] Yet, our data shows that only 14% of those living with dementia are accessing these services.[64] In addition, there are over 2 million people in the UK living with sight loss, yet according to our data, only 3% are utilising communication in accessible formats from their energy suppliers.

2.6. We do note that not all people who have these vulnerable characteristics may need to access such services (eg they may not be the Household Reference Person or live in care homes). However, the fact that the number of vulnerable customers who might need services is not in proportion to the observed amount accessing such services suggests there is more that suppliers could be doing to identify those that need support and offer assistance.

[62] FCA, 2020 Financial Lives 2020 survey: the impact of coronavirus
[63] See Alzheimer's Society: key facts and statistics
[64] Based on our analysis of Social Obligations Reporting data of PSR service provision

Figure 2.1: The number of PSR services provided to gas customers on PSRs – by service type (number of services provided to electricity customers on a PSR is slightly higher)



Poor customer service

2.7. We are concerned at findings that some suppliers do not increase their resource to deal with increases in customer contact. A report by Which? includes findings on supplier call wait times, with around a third of energy firms having kept customers waiting for more than 10 minutes on average before their calls were answered.[65] The findings suggest that suppliers who did not increase their customer service resource to align with increasing demand during the COVID-19 pandemic were not easily contactable and therefore unable to help customers in a timely manner, impacting on the overall customer experience. Consumer group intel suggested that in some cases it has taken months for customers to reach their supplier, with some receiving no contact whatsoever despite emailing and calling the supplier on several occasions.

2.8. **Energy suppliers need to ensure that they have the resources in place to respond to the level of consumer need, which is likely to increase given the rise in energy prices. Suppliers also need to ensure that consumers are signposted to**

[65] Which? Press Office, December 2020

relevant support, including external debt advice. We welcome the commitments made by suppliers to provide extra support to vulnerable consumers, which include increasing awareness of the support available to consumers ahead of the winter.[66] We encourage those suppliers that have not yet done so to make similar commitments.

2.9. Data submitted to us shows that one supplier repeatedly failed to proactively engage with their customers particularly in relation to customer queries around billing, which is an extremely poor outcome. For example, the son of an elderly customer contacted the supplier on behalf of their father after an energy bill had not been received for over a year after moving in. The son tried to contact the supplier multiple times by email but received no response and eventually spoke to a customer service agent over the phone who requested he sends meter readings. He sent the meter readings as requested, then had no further contact from them.

2.10. If suppliers fail to proactively engage with customers, then they will be unable to provide effective support. This is particularly worrying when this is in relation to payment difficulties and meter readings and could lead to severe bill-shock and customer debt. **We expect suppliers to ensure customers are able to contact their supplier and receive appropriate engagement and support. We welcome the commitment by signatories to the Energy UK Vulnerability Commitment to adopt an omni-channel approach to customer communications.[67] We would encourage others to follow this approach to ensure a more inclusive market.** We are already engaging with a number of suppliers where we consider that their customer service offering falls short of regulatory requirements and leads to poor consumer outcomes.

2.11. Customer service standards may have had an impact on customer satisfaction with these suppliers. We found in our Q2 2021 Customer Perceptions of the Energy Market Survey that significantly more customers were dissatisfied with the telephone customer service received in the first quarter of 2021, declining to 65% from 75% in Q4 2018, when this was first measured.[68] Furthermore, we are aware that some suppliers do not monitor customer satisfaction feedback related to financial difficulty, and as a result are not

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[66] At the time that Energy UK launched the winter commitment (July 2021), over 90% of the domestic market had signed up to them. See: Energy sector offers a helping hand

[67] See Energy UK's Vulnerability Commitment: signatories agreed to 'provide a range of channels of communication that are appropriate and suitable for customers' needs.'

[68] Ofgem, Consumer Perceptions of the Energy Market Q1 2021

identifying and improving gaps in the service they provide based on customer experiences and feedback. This contributes to and reinforces a poor customer journey, reducing the likelihood of customers reaching out to their supplier if and when they need support.

2.12. To avoid these poor customer outcomes, suppliers should ensure resources are available to prioritise people who are in financial difficulty or offer a freephone number. While 70% of the market have adopted the best practice of ensuring people in financially difficulty have access to a freephone number, a number of suppliers have charged for such calls. **We see significantly improved outcomes when freephone telephone numbers are available and accessible and would encourage wider uptake of this practice**.

2.13. Additionally, some suppliers do not, or do not adequately, signpost to third party debt management organisations or charities that can provide additional support to customers struggling to pay. In some cases, where signposting was evident, the contact numbers of relevant third parties were not provided to customers. This could negatively impact consumers who are in financial difficulty, if they are not signposted to where to access the additional support. We are engaging with relevant suppliers to ensure this improves.

Limitations to identifying consumers who need support

2.14. Some suppliers have not been proactive enough in identifying customers in need of financial support or more generally those in vulnerable circumstances. As outlined in Chapter 1, 2020 saw a significant increase in the numbers of people needing support, particularly due to ill health and financial difficulty. Whilst we note that the total number of consumers on supplier PSRs did increase, we did not see a comparable increase in the number of customers signed up and/or using PSR services, in relation to what we would expect in light of the pandemic and the increasing number of customers in vulnerable circumstances, many of whom may have needed to access this support for the first time.

2.15. Instead, the number of vulnerable consumers signed up to suppliers' PSR slowed compared with previous years. Suppliers need to be more proactive in identifying customers who might benefit from PSR services, recognising the new and increased vulnerabilities created by the pandemic and offer relevant support and assistance, and we are concerned that this is not taking place effectively.

2.16. Whilst a few suppliers have established processes for identification of vulnerable customers at risk of self-disconnection, we are concerned that some suppliers place a lower emphasis on proactively identifying vulnerable customers that may be self-rationing their energy. PPM customers may use self-rationing as a coping strategy to avoid going off supply (see Case Study 2.1). As outlined in Chapter 1 of the report, research conducted by the Fuel Bank Foundation found that the majority of participants included in the research had to ration their energy consumption, with many choosing between buying food or topping up their PPM. We are concerned that some suppliers may be over-relying on smart meter PPM technology for identifying self-disconnection and rationing, and not paying close enough attention to those on traditional PPMs who are self-rationing and self-disconnecting.

Case Study 2.1: Living with a traditional PPM

National Energy Action and Energy Action Scotland

Mohsin* is a 62 year-old man living in a one-bedroom flat. He is one of the hundreds of thousands of households in the last year who found themselves without money and unable to top up their meters, therefore experiencing self-disconnection from the gas and electricity supply. Mohsin struggles to make his Universal Credit payments cover his bills and food costs, and regularly runs out of money between benefit payment cycles.

"I've found that managing near the end of the month [is difficult], the last sort of week when I'm waiting for my money to come through."

Mohsin lives alone, and the pandemic has heightened his feelings of isolation and loneliness, significantly impacting his mental and emotional wellbeing; *"Everybody gets down sometimes, I think. But sometimes I get a little bit disturbed by my own loneliness."*

Alongside this, Mohsin is living with significant physical health issues, including diabetes and COPD. He has also had COIVD-19. Combined, these health issues make him feel especially vulnerable when leaving the home and this has had significant impacts on his confidence in going out to top up his meters at the local shop.

"I had Covid in January and I've had two chest infections. So, if you're ill, safety-wise, you don't want to go out because I don't want to catch something else. I think I've got long Covid because I've got moderate asthma. I've not recovered from it since, and that w[ould] be good not to…go to the shops."

Source: NEA and Energy Advice Scotland (2021) *Maximising the smart meter rollout for prepayment customers*

** There are a number of composite case studies included in this report and these have been derived from the household interviews. This approach means that case studies draw on a number of real cases (and use real quotes), but by pulling their information together into a 'composite' household makes it difficult to identify any real household or its members, protecting anonymity.*

2.17. PPM self-rationing and self-disconnection are closely linked and customers who self-ration are more likely to do so because they are already in financial difficulty. We recognise the current technical difficulties in the accurate measurement of self-rationing in different domestic households. However, in accordance with our licence conditions, **we expect suppliers to identify and support vulnerable customers, including when customers are identified as self-rationing their energy use.**

2.18. We have also seen issues relating to phone contact and identifying vulnerability. For example, some suppliers do not operate an inbound call centre, which can result in some vulnerable customers not being identified or contacted through such means, which may put them at risk as not all customers are able to operate digital channels. Whilst we acknowledge the move towards more digital-based technology, as we note in the first chapter of this report, some of the UK population remain digitally excluded and cannot rely solely on digital channels to contact their supplier. **We expect suppliers' customer service offering, communications, and all other customer facing aspects to be accessible and inclusive to all types of consumers, and we encourage suppliers to always consider their offline customers and have alternative methods of contact in place.**

2.19. We have seen a disappointing reduction in communication provided in accessible formats to customers, which is an area we would expect to have increased in line with increased innovation in this area. We have also observed a decline in take up for accessibility services, including talking bills, bills in Braille or large print, and minicom or textphone services. **It is important that all suppliers take steps to ensure they are aware of customers' communication preferences and any accessibility requirements for both new and existing customers**, to make it easier for customers to contact their supplier, which some suppliers may be failing to do.

2.20. For example, Ofgem were contacted by a deaf consumer who had struggled to get their supplier to put in reasonable adjustments that would ensure they had the ability to communicate with them directly. The consumer did not have a landline or internet access, and needed all communication to be in writing. However, they continued to attempt contact via phone, and used software that was only available with a working internet connection. This forced the consumer to travel to a public library to email them. **We expect suppliers to be inclusive, and treat all their customers fairly, and reflect this in their communication methods, as outlined in the Standards of Conduct.**

More support needed for customers who are struggling to pay

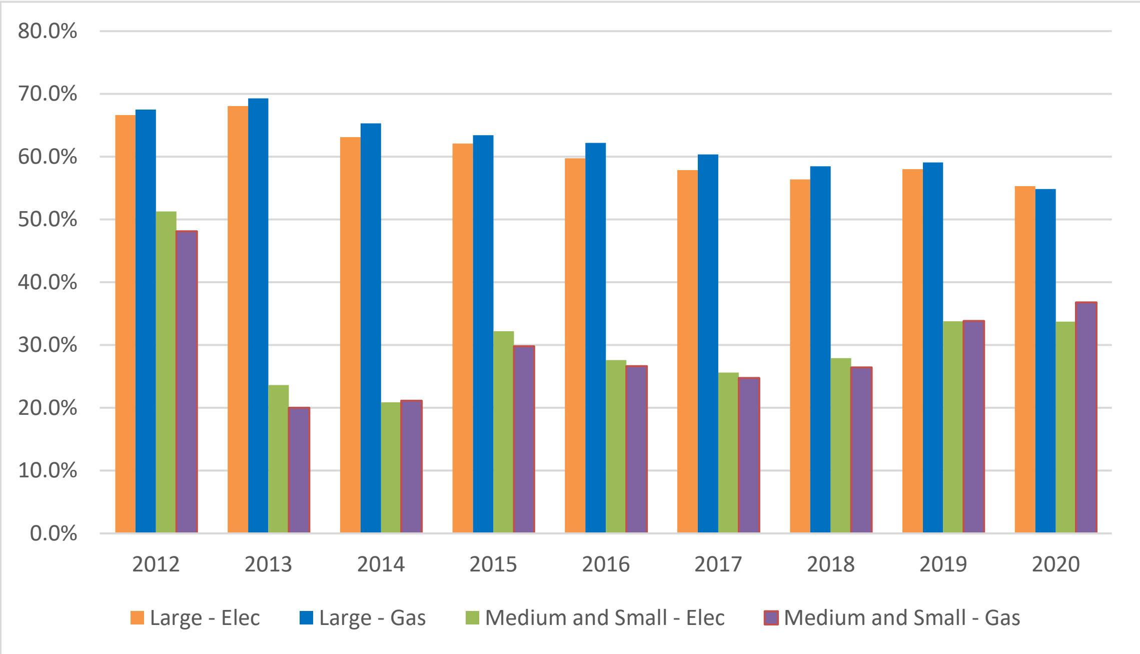
2.21. We have found that improvements are needed to some supplier processes, including setting tailored payment levels and repayment time periods and signposting to help and advice including to third parties.

2.22. We are concerned to see that some customers are building up debt and larger unpaid bills before suppliers are assisting and offering manageable repayment plans. We found that small and medium suppliers have a lower proportion of customers in debt on a repayment plan compared to large suppliers (see figure 2.2). 34% of electricity customers in debt with small and medium suppliers have a repayment plan set up compared to 55% of electricity customers in debt with large suppliers (the trend is similar for gas). These numbers are lower than we would expect, and **we expect all suppliers to make arranging manageable repayment plans with their customers in debt a priority**. **We will be monitoring this area closely and intend to provide an update in our next edition of this report.**

2.23. We are also concerned to see both the number of customers in arrears and without repayment plans rising in light of the impact of COVID-19. Our SOR data shows that the number of people in arrears in 2020 increased from 694,191 in 2019 to 701,517 for electricity (a 1% increase) and from 539,605 to 554,698 for gas (a 2.8% increase). Furthermore, the proportion of customers in arrears with no repayment plan set up increased among medium and small suppliers from 3% to 4% for both gas and electricity. We are also concerned to see some large suppliers had significantly high arrears for electricity, averaging at £1,052 per customer in 2020.

2.24. We consider that suppliers could be more proactive in getting customers onto repayment plans, and **we expect suppliers to be proactively identifying those customers struggling to pay and agreeing appropriate and manageable repayment plans as per their obligations**.

Figure 2.2: Proportion of customers who are in debt and have a repayment plan – gas and electricity for large, small and medium suppliers



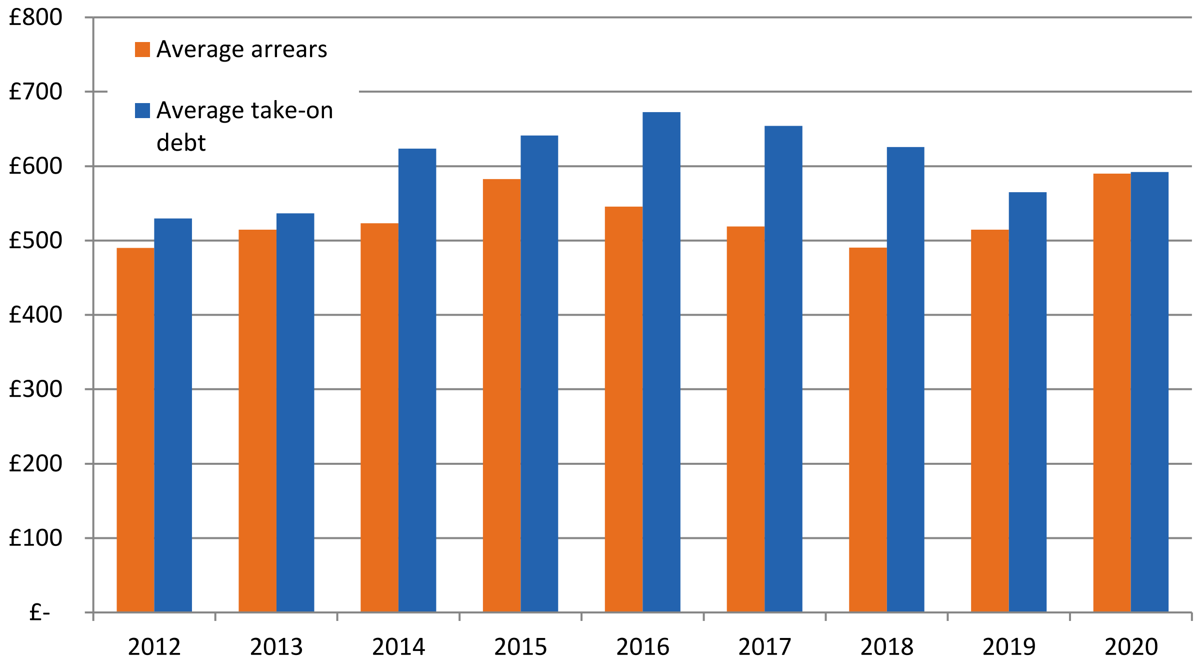
2.25. In our previous report, we identified a potential downward trend in levels of take-on debt (the average level of debt owed at the point customers start repaying it).[69] However, this is no longer the case. After a fall in take-on debt from 2017 up until 2019, this increased again in 2020 (see Figure 2.3). The number of electricity customers with take-on debts of over £600 spiked in 2020, reaching 183,183 customers, the largest amount since we started recording the data in 2006, an increase of 9% since 2019. The number of gas customers with take-on debt of over £600 also increased in 2020, albeit more gradually. This number now sits at 117,839 customers, an increase of 4.8% from the year before.

2.26. We note that average take-on debt as an indicator over short periods of time has some limitations, as higher debts typically take longer to clear than lower debts. The average can be pushed up as lower debt customers clear their debts and come out of the average calculation. However, in our previous report, we suggested that with proper debt management practices the longer-term trend should continue to be downwards as take-on debt levels decrease and historic higher debt customers fall out of the average.[70] As take-

[69] Ofgem (2019) Vulnerable consumers in the energy market: 2019
[70] Ibid.

on debt has increased in 2020, this suggests that some suppliers may not be exercising proper debt management practices.

Figure 2.3: Average arrears and average debt at the start of repayment for gas customers



2.27. We have also seen some wide variances in how suppliers provide support to customers for managing short-term debt (eg for customers waiting for Universal Credit payments) as well their ability to provide customers with relevant advice.

2.28. **We would like to see average arrears decreasing, in line with an increase in the number of customers in debt being put on to repayment plans. We expect suppliers to be investigating failed payments and engaging with customers to understand their circumstances and set up appropriate support.**

Poor debt recovery communications

2.29. We noted some areas in suppliers' communications with customers which could be improved upon in relation to debt recovery, including via findings from of our own debt communications research outlined in 2.32 below. We have seen a small number of suppliers use what in our view is a disproportionately strong or threatening tone in communications with customers during the debt recovery process, which did not demonstrate appropriate levels of empathy relative to the stage in the process. Some instances of communications also referenced court action at an inappropriate stage in the debt recovery process, further administration charges and negative impacts on credit ratings.

2.30. We are also concerned about some suppliers' practices relating to the escalation of debt recovery to debt collection agencies and County Court Judgments (CCJ). There was some indication of suppliers incorrectly or prematurely involving debt collection agencies. We have also seen some evidence of a CCJ being threatened or issued early in the debt process, in some instances before identifying whether the customer could be vulnerable or contacting to offer the customer a manageable repayment plan. This is an extremely poor outcome which could cause the customer unwarranted stress and anxiety. We have engaged with a number of suppliers in relation to these practices. Where we have seen this behaviour occur, our compliance team have engaged with individual suppliers to investigate and taken formal action where appropriate, taking into account the circumstances.

2.31. One example saw Ofgem contacted by a customer who had debt collectors sent by their supplier despite not having been sent a bill. The customer was given little, if any, time to contact their supplier and set a repayment plan and had no opportunity to contact their supplier to resolve the debt once the CCJ was issued prior to the court hearing. We are concerned to see a supplier utilising a CCJ in order to resolve an issue involving relatively small amounts of debt, and not giving the customer an opportunity to contact or resolve the matter prior to escalating the debt recovery process.

2.32. When undertaking debt recovery action, all suppliers are required to follow the relevant pre-action protocol for debt claims set out by Government (for England and Wales; the court process is different for Scotland and Northern Ireland). [71] **We expect suppliers to treat customers fairly, and offer support accordingly. In the first instance, we expect suppliers to communicate the matter clearly to the customer, and attempt to resolve it before escalating the debt recovery process.**

[71] Ministry of Justice, CPR Pre-Action Protocols

Debt communications messaging: Evidence from customer and behavioural insights *(Source: Ofgem, 2021)*

In 2021, Ofgem’s Customer and Behavioural Insights team conducted a two-phased research study to understand what consumers need from debt communications from their energy supplier. The first phase was a series of qualitative interviews with 30 GB domestic energy customers. The second phase was an online behavioural experiment with over 1,500 GB domestic energy customers. The research found that debt communications which use a ‘harsh’ tone (as described by participants), and focus on immediate repayment reduced positive emotional reactions, leaving customers feeling ‘threatened’ or scared, and resulted in reduced customer comprehension of the key information included.

Some customers reported that using a disproportionately strong or threatening tone would cause them to either leave the communications until ‘they felt brave enough to deal with the consequences’ or disregard it all together. Nevertheless, most stated that they would contact the supplier after receiving any communication, regardless of tone. There was some evidence that friendlier, solution-based communications increased the likelihood of customers making contact.

These findings suggest that using a disproportionately strong or threatening tone is not conducive to increasing customer engagement, rather, it is more likely to cause a negative emotional impact, such as worry or feeling threatened needlessly. We expect all suppliers to treat domestic energy consumers in a fair, honest, transparent and professional manner, as outlined in the Standards of Conduct.

The research has also highlighted some actions and practices which suppliers could take to improve consumer outcomes. Communicating in empathic language was suggested to alter how the respondent felt they would be treated by their supplier once they made contact, which could also increase the likelihood of customer engagement with the debt process.

Including acknowledgement that the customers debt could be due to something outside of their control, such as financial difficulties resulting from the COVID-19 pandemic, was well received by respondents. Almost half of consumers in the online experiment felt that if they did contact their supplier, the main priority would be to ‘find a suitable outcome that works for me’. Taking into account the external factors of a customers' individual circumstances can increase customer engagement in the debt recovery process, rather than focusing on 'one-size-fits-all' approach and solutions.

3. Good Practice

Section summary

This chapter highlights areas and initiatives where energy suppliers are performing well, in order to enable wider industry to learn from this best practice. We encourage all suppliers to consider whether similar approaches would help improve their performance.

Proactively engaging consumers to avoid bill shock

3.1. We identified some good practice examples where suppliers regularly contact customers through all available or preferred contact methods to request readings in line with their payment method and frequency. This approach seems to have a direct impact in driving higher percentage success rates for obtaining readings from customers. This, in turn, helps to ensure bills are accurate and customers are not over or under charged, preventing bill shock and debt build-up due to customers needing to pay a larger amount than their estimated bill back to their supplier. **We would like to see this good practice adopted more widely across the market.**

3.2. Most suppliers have processes in place to validate readings and update bills accordingly. Where readings fall outside of tolerance levels, suppliers have escalation processes in place to resolve and communicate clearly with the customer when required. Such processes seem to result in these suppliers recording extremely low volumes of bills that were sent with inaccuracies that were not caused by the customer. Some suppliers have multi-tiered best estimation processes to calculate bills based on the most accurate information held. This ranged from using historical usage patterns from the same period the previous year, extrapolating readings based on previous reads and factoring in seasonality using published industry algorithms. **We would encourage all suppliers to consider how they can utilise these good practices to minimise inaccurate bills.**

Ensuring customers are on the most suitable payment methods

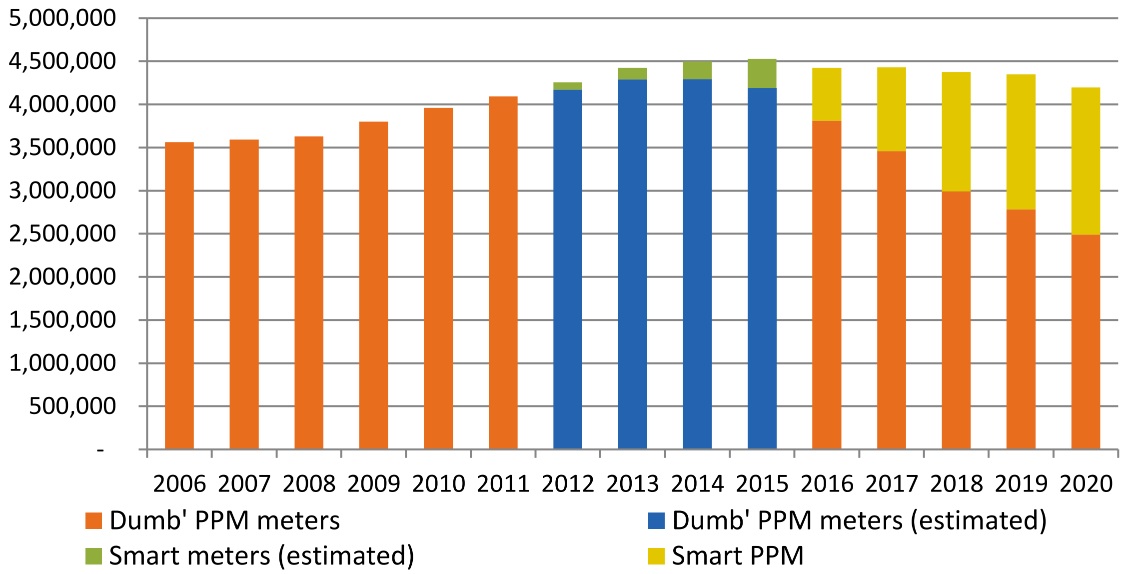
3.3. The total amount of customers using prepayment meters (PPMs) decreased in 2020. There were around 4.1 million electricity and 3.3 million gas customers on a PPM in 2020. This number, as well as the proportion of customers paying via PPM, has continued to steadily decrease since our last report in 2019 (as shown in Figure 3.1).[72] The use of PPM as a whole has continued to decrease for both gas and electricity customers, representing the lowest recorded proportions since 2012 for electricity customers and a steady decline for gas customers since 2017. This indicates that fewer customers are paying for their energy before they use it, which can reduce the risk of disconnecting and going off-supply due to not topping up. **We note that PPMs are the most suitable payment method for some consumers such as helping to avoid significant build-up of debt or to help with budgeting. Where appropriate, we would like to see the number of customers on PPMs continue to decrease in instances where it is not in the customer's best interest, to help reduce the off-supply risk.**

3.4. It is encouraging to see that the use of smart meter PPMs continued to increase in 2020, coinciding with the decline in the use of traditional PPMs. As displayed in Figure 3,1, around 40% of all PPMs are now in smart mode. This suggests that more customers are being switched away from traditional PPM meters, which provides better outcomes for customers who are in vulnerable circumstances, including the ability to top up remotely and track credit and usage.

3.5. The proportion of customers paying for their energy by direct debit has continued to increase steadily, with numbers of customers paying this way now the highest it has been for both gas and electricity customers. This suggests more customers are able to reliably and regularly pay for their energy. **We welcome these developments and encourage all suppliers to consider the most appropriate payment method for the customer, particularly where a PPM may not, or may no longer be, the most suitable payment method.**

[72] Ofgem (2019) Vulnerable consumers in the energy market: 2019

Figure 3.1: Number of PPM customers



Customer service going the extra mile to support consumers

3.6. We have seen a few examples of good practice where suppliers have a freephone number and dedicated team set up to support customers in payment difficulty. Some suppliers also have a dedicated freephone line for PPM and PSR customers who are at risk of going off-supply. We also found that some suppliers have good availability due to friendly-hours credit support and contact centres being open between 8am-8pm weekdays and open 9am-5pm on weekends for PPM customer support. **We believe that customers could greatly benefit if these examples were universal practice, particularly freephone lines as vulnerable customers who need support may currently be deterred from calling their supplier due to the cost involved, as outlined in the Energy UK Vulnerability Commitment.**[73]

3.7. We were pleased to find that some suppliers have invested in additional resource for dedicated financial support teams, have rolled out 'ability to pay' training and enhanced customer contact monitoring to allow them to act quickly and make changes to cope with any potential increase in contact. We have also seen suppliers invest in relationships with debt charities to further support their customers. **Customers in debt can greatly benefit by support from debt charities, and we would like to see all suppliers investing in**

[73] Signatories to Energy UK's Vulnerability Commitment agreed to an accessibility principle which to provide a customer service phoneline that all customers can call without incurring a premium rate charge, and ensure a free phone number can be given to customers in financial hardship where appropriate.

and strengthening relationships with debt charities to ensure more customers in debt are signposted to, and receive this support.

One supplier aims to support disengaged customers with their outstanding energy debt. They engage with the customer to understand their circumstances and reasons for non-payment. This means the supplier can help customers access free support and advice from a range of charities able to make a difference. The supplier raises awareness of initiatives available to its customers – and can transfer them to the to a relevant debt advice charity so they can work together to resolve debts. This helps the supplier rebuild its relationships with its customers and means they get the support they need specific to their circumstances, improving their ability to manage all debts. When analysed two weeks on from placement, the supplier found that on average 45% of the balances placed were resolved (either paid or in a paying plan). We would encourage other suppliers to adopt a similar practice in order to improve consumer outcomes.

3.8. Some suppliers collect a range of quantitative and qualitative data relating to interactions with their customers from a range of sources and use this to improve performance. Sources ranged from internal customer satisfaction survey data, Trust Pilot, social media, the Ombudsman, Citizens Advice, and the Extra Help Unit. In addition, some suppliers had robust root cause analysis tools and quality assurance processes in place to identify poor customer satisfaction scores stemming from calls related to financial difficulty. They used this to provide feedback to staff and to improve services, including updating billing communications to include clearer signposting to third parties and useful additional resources as standard.

3.9. **It is good practice that some suppliers are using a range of data and tools to monitor customer satisfaction and improve processes, and we would like to see this way of engaging with customer feedback used more widely across the market.**

More accessible and inclusive design

One supplier enhanced the quality of online communications on its website with the addition of assistive technology, to drive improvements in customer service for vulnerable groups. This innovative technology was implemented to support those with disabilities, learning difficulties, visual impairments and for those who speak English as a second language. The assistive technology provides customers with a suite of online tools, all available in one location, to allow engagement with the supplier's products and services. Features include:

- A screen reader to help visually impaired customers perceive and understand digital content by reading aloud website text.
- A ruler, screen mask, magnifier, margins, and a dictionary.
- Styling options to allow people to change the way the website looks.
- Translation of web content into over 100 languages, including 35 text to speech voices.

We welcome this example and would like to see other suppliers adopting more inclusive design in their technologies and communication methods to better reflect the complex and diverse needs of their customers and in turn, increase customer engagement.

3.10. **We encourage suppliers to look beyond energy to identify good practice and are focused on ensuring the quick uptake of inclusive design principles, as has been the case in the financial services sector.** For example, some financial firms have developed best practice on accessible and inclusive design. One firm offers access to British Sign Language interpreters in-branch, via an app on branch tablets, and on its website, giving consumers access from the comfort of their own home. This service increases accessibility and effectively meets the communication needs of certain consumer groups in the firm's target market. Another firm provides tone of voice guidance to make sure the language used by staff reflects the language used by audiences, ensuring that technical information is as clear as possible.

3.11. This maximises engagement with customers, ensuring they can understand and therefore benefit from their services. Additionally, in the telecommunications sector, one firm has amended key correspondence to all customers, such as welcome letters, price increase notifications, end-of-contract, and annual best tariff notifications, to include reminders about the services offered for customers with accessibility and vulnerability needs.

Better identification of customers who need support

3.12. There are now more people signed up to the PSR and eligible for support than ever before, as the total number of consumers on suppliers' PSRs increased in 2020. There are now just over 7 million electricity consumers and 5.9 million gas consumers on a PSR. This has been driven by medium and small suppliers, which have both increased the proportion of their customers signed up to their PSR; in particular, it is positive to see the amount of recent PSR sign-ups amongst medium suppliers. We note though, that the increase of total number of customers on the PSR in 2020 is only very gradual, which may not be consistent with the number of customers in newly vulnerable circumstances as a result of the pandemic, including many experiencing transient vulnerability. **We expect suppliers to prioritise identification of vulnerable customers and promotion of the PSR (in line with (SLC 0 and SLC 26)[74], and for the number of PSR sign-ups to increase significantly over the coming months.**

We have observed good practice by an electricity distribution operator in its use of positive innovation to improve identification and support to vulnerable customers. An electricity distribution operator uses AI 'bots' to manage its PSR. The virtual workers (bots) detect and deactivate duplicate PSR data and retain the most up-to-date contact information for vulnerable customers. Duplicates are caused by data sharing processes and reduce the quality of data held. The bots release capacity of welfare advisors so they can provide more support to priority customers, particularly during emergencies. We encourage suppliers to investigate whether similar pilots could support the prioritisation of resource to better assist those most in need.

3.13. Some suppliers have indicated that they have specialised training which helps agents identify and support customers in vulnerable circumstances. We have also seen some good practices of suppliers using the PSR to help identify and support customers who may also be in financial difficulty**. It is positive to see several suppliers invest in training staff to better detect, and subsequently support, customers living in vulnerable circumstances. We believe customer outcomes would be significantly improved if more suppliers adopted this approach.**

[74] See Ofgem Standard conditions of electricity supply licence (SLC 26 – Priority Services Register)

We have seen good practice from a supplier in regard to using the PSR to identify and support customers who may be in financial difficulty. The supplier redesigned their PSR sign-up form, focusing on design and user accessibility research in order to provide more accessible channels for vulnerable consumers to register for support services. This included breaking the form into a larger number of smaller questions and making sure the language was as clear and inclusive as possible. Since the updated form launched, the proportion of people who completed it went up 140%, nearly doubling the number of customers on the PSR. The supplier has trained their customer service team in how to best use the form to make sure that customers can access and benefit from the extra services on offer. We would welcome other suppliers reviewing their PSR sign up processes, ensuring they are fit for purpose and are able to reach as many customers who could benefit from PSR services as possible.

Collaborating with other sectors

3.14. **We encourage suppliers to look beyond the energy sector and be innovative in their approach to identifying vulnerable customers, making it as easy as possible to reach them as well as for individuals to disclose their vulnerable circumstances and receive support.** For example, in the telecommunications sector, many firms are using different technologies to help increase identification of vulnerability and offer a broad range of ways for customers to disclose their vulnerable circumstances, such as email, webchat, video relay and instore.

3.15. We also continue to urge further progress between the energy and water sectors on PSR data sharing. Ofgem has recently collaborated with Ofwat and the Information Commissioner's Office (ICO) to publish a letter to companies on the preferred way forward to share PSR data between the sectors. This should take away barriers and allow both industries to progress work to develop practical solutions to make this a reality for consumers. **We particularly encourage suppliers to engage with DNOs and water companies on the practical aspects of PSR data sharing, as suppliers are the primary way consumers sign-up to the PSR.**

More support for customers struggling to pay

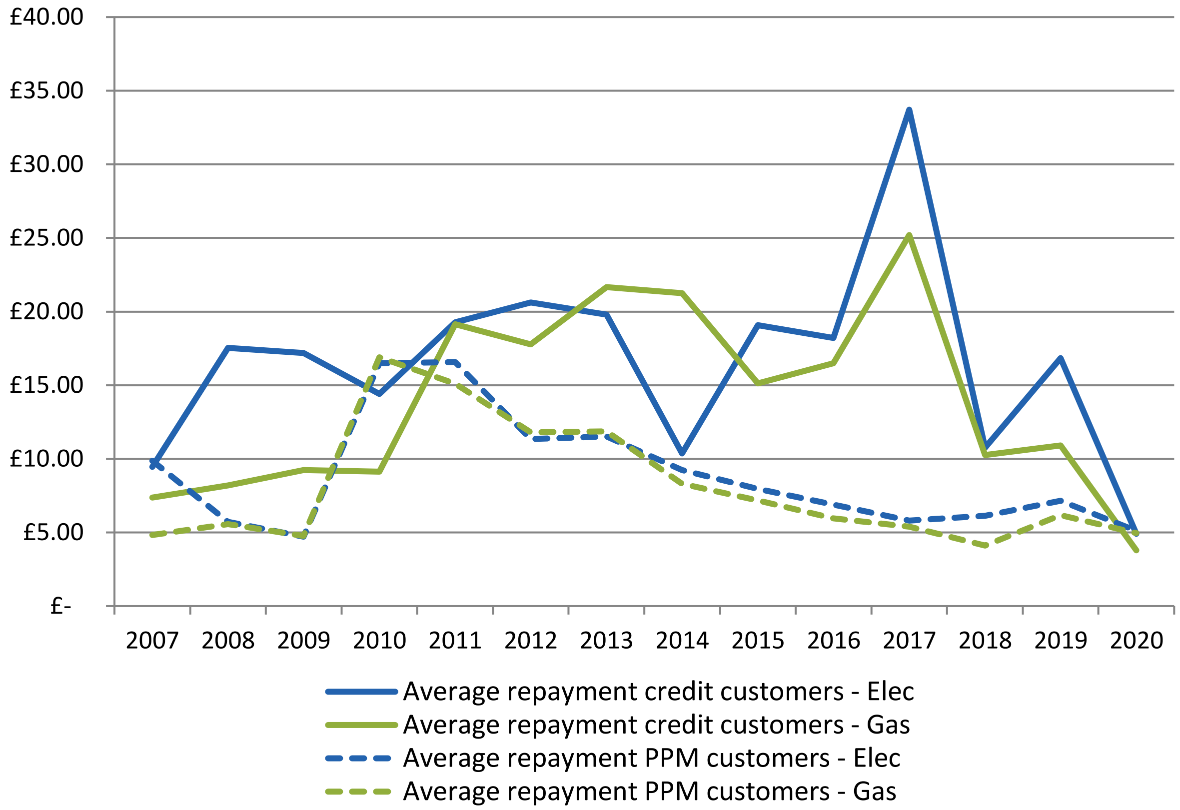
Customers in debt

3.16. In 2020, we saw the total number of customers in debt decrease, reversing an upward trend since 2017. The total number of customers in debt in 2020 was 1,427,331 for electricity and 1,123,069 for gas compared to 1,434,138 for electricity and 1,127,826 for gas in 2019. This represents a slight reduction of 0.5% in electricity and 0.4% in gas. The number of customers repaying a debt to their supplier also dropped slightly in 2020, to 725,814 electricity and 568,371 gas customers. During 2020, intra-year changes displayed a sharp increase in the number of customers in debt due to the impact of COVID-19, followed by a rapid fall again. This demonstrates how well suppliers responded to the COVID-19 crisis in the short-term and supported their vulnerable customers affected financially by the pandemic, ensuring that they were not falling deeper into debt.

Repaying debt

3.17. It was also encouraging to see that repayment amounts decreased in 2020 for credit and PPM customers with small and medium suppliers (see Figure 3.2). These amounts were £5.12 for PPM electricity customers and £4.91 for credit electricity customers (with the trend being similar for gas). This indicates that these customers may be on more realistic repayment plans and/or owe less debt, both of which are positive outcomes**. We would expect to see all suppliers regularly reviewing repayment plans, in line with a customer's ability to pay.**

Figure 3.2: Average repayment amounts for customers in debt repaying via credit and via PPM (2020) – small and medium suppliers



3.18. In addition, it is positive to see that the number of customers on Third Party Deductions (TPD), previously known as Fuel Direct, for gas and electricity increased in 2020. This continued an upward trend since 2018. TPD can be a useful tool offered to enable some domestic customers who are on social security benefits and struggling to pay for their energy bills an alternative payment option, in the form of direct deductions from these benefits. This increase may be a correlation in the reduced use of PPM and the rise in people claiming Universal Credit in 2020, as a result of the COVID-19 pandemic.

3.19. In 2020, 24,944 gas customers and 30,928 electricity customers were using TPD (an increase from 21,985 gas customers and 26,106 in our last report). **We acknowledge the importance of Third Party Deductions for customers who are struggling to pay their energy bills and would like to see this support continue increasing in line with rising Universal Credit claimant levels.**

Many suppliers created a COVID-19 related financial vulnerability needs code for customers to signal that the pandemic may impair their ability to pay their bill. This enabled suppliers to keep track of customers facing these concerns, understand their circumstances, and design a journey to support them. Many customers reached out to their supplier to advise that they were, or might expect to be, financially impacted by COVID-19. These customers were given 'breathing space' and removed from BAU collections process. We are pleased to see that several suppliers reacted in this way during the COVID-19 pandemic to support and protect customers who were struggling to pay their energy bill, taking into account individual circumstances, and setting up tailored solutions.

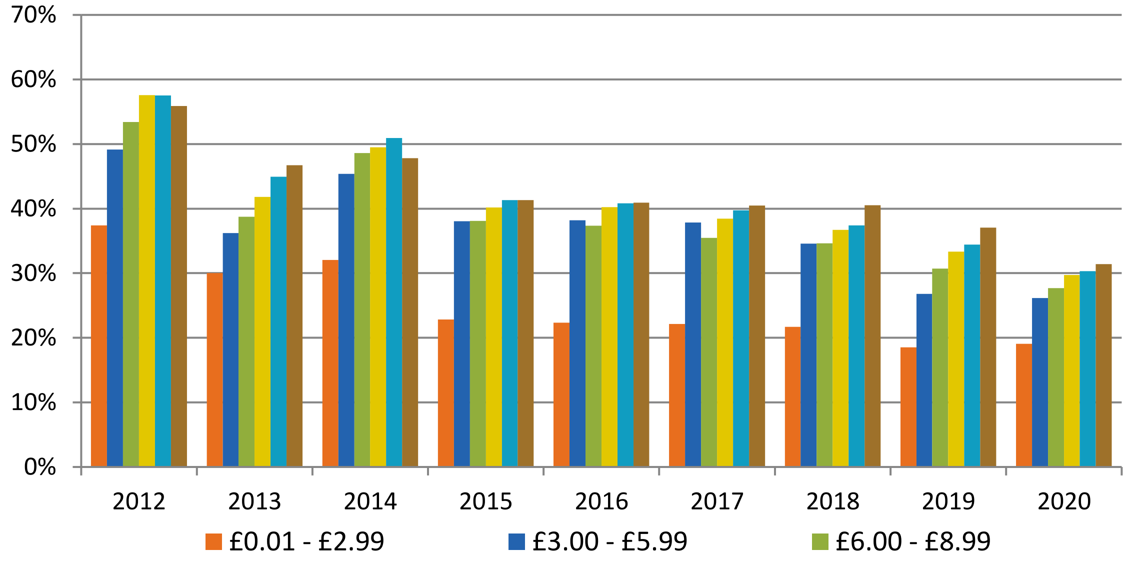
Failed Debt

3.20. The proportion of customers with failed debt repayments decreased overall in 2020 and was lower on average amongst medium and small suppliers (see Figure 3.3). Given the financial impact that the COVID-19 pandemic has had on many customers, this is positive to see and is an improvement from trends seen in our last report, where we stated concern that customers with small and medium suppliers had a high proportion of customers in the highest payment bracket (>£15) compared to larger suppliers (8% higher than those with larger suppliers).[75]

3.21. The decrease overall in the proportion of customers with failed debt repayments also suggests that our proposals outlined in our previous report, where we encouraged suppliers to review their standard repayment rates, ensuring that ability to pay is taken into account, have begun to be effective.[76] However, we do note that these results may also be in response to COVID-19, with suppliers taking into consideration the financial impacts of the pandemic. We encourage suppliers to maintain this practice, keeping in mind that high repayment amounts may not be affordable for some customers.

[75] Ofgem (2019) Vulnerable consumers in the energy market: 2019
[76] Ibid.

Figure 3.3: Proportion of credit customers with failed repayments – electricity – small and medium suppliers



3.22. Large and medium size suppliers generally indicated that they had embedded the rules we introduced last year on Ability to Pay, building on existing practices.[77] We are pleased to see that many had specialist teams to help customers in payment difficulty and a tailored training approach for customer service agents. **We are pleased to see suppliers invest in specialised vulnerability related training for their customer service agents and believe customer outcomes would significantly improve if this was widespread practice.**

One supplier has a specialist team dedicated to providing assistance to customers showing early indications of struggling to manage their energy costs in order to establish early intervention and prevent escalated problems. The team is made up of experienced agents who receive training to become highly skilled in sensitively exploring a customer's personal circumstances, including identifying any vulnerabilities. Agents are also specifically trained on debt processes, providing them with knowledge of the information customers will have received to be able to explain this further, and guide them through the next steps. Customers facing these types of difficulties are not always forthcoming in disclosing information about their circumstances, and this approach allows the supplier to sensitively broach this conversation with customers to offer support earlier in their journey.

[77] Ofgem (2020) Self-disconnection and self-rationing: decision

3.23. Some suppliers have mechanisms to proactively contact and continually review payment levels. We noted that an increasing number of suppliers also have, or are developing, links with third party debt support to help their customers and prominently publicise this. **Third party debt support providers play an important role in helping customers who are struggling to afford their energy, and we would like to see more suppliers building relationships with them to improve outcomes for vulnerable customers**.

3.24. Throughout the COVID-19 pandemic, several suppliers set aside funding to support their vulnerable customers struggling to pay their bills, many of which were unable to top up their PPM and were at risk of self-disconnecting. Several suppliers awarded payments to customers through Hardship Funds in order to help customers pay off their bills. **We are pleased to see suppliers support their customers in this way to help reduce their debt during the pandemic, or in some cases write it off completely.**

Disconnection for debt

3.25. The number of disconnections for debt declined in 2020. The number of disconnections for debt dropped to 1 disconnection for gas. For the first time since we started recording SOR data, there have been no disconnections for debt of a customers' electricity supply, continuing a declining trend since 2016.[78]

Better identification and support for PPM customers at risk

3.26. We welcome the decline in the proportion of PPMs installed for debt, a trend which was increasing before 2020 (7% decrease for electricity and 12% decrease for gas in 2020), as shown in Figure 3.4. PPMs collecting debt also decreased amongst large and small suppliers, dropping to 0% for small suppliers.

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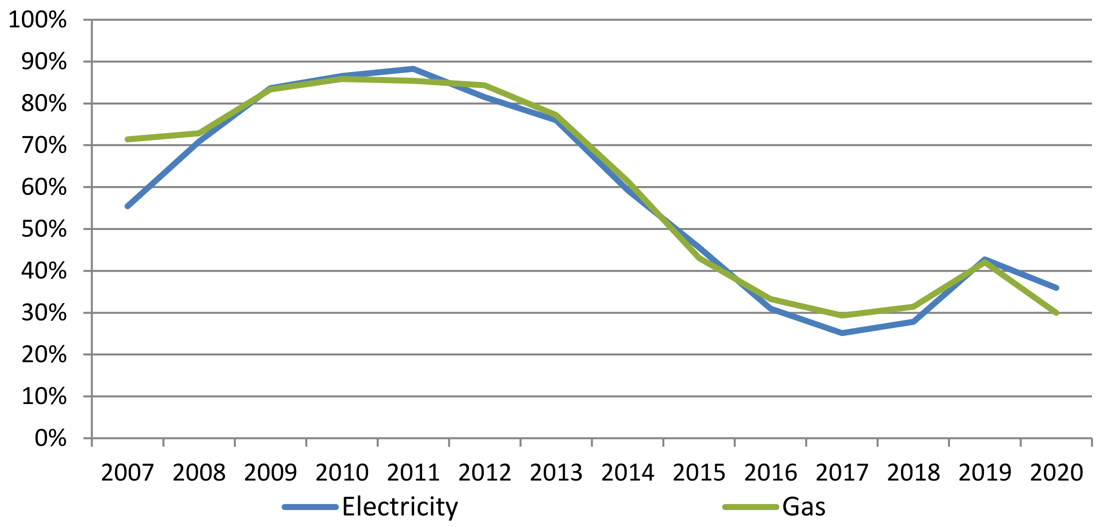
[78] See Ofgem Data Portal

Figure 3.4: Proportion of PPMs installed which were installed for debt



3.27. We are pleased to see the total number of PPMs force-fitted under warrant to recover debt decreased in 2020, in line with the protections we introduced in 2018 and subsequently extended in 2020 and an individual customers ability to pay.[79] However, we acknowledge the significant role of COVID-19 containment measures for this decrease. **We will therefore pay close attention to this figure next year in order to ascertain whether the significant decline in PPMs installed under warrant represents a permanent shift in supplier practices.**

3.28. We are pleased to note that the data also shows that the proportion of smart meters remotely switched from credit to prepayment in order to repay debt has decreased slightly since 2018, from 70,000 to 67,239. However, this is still significantly higher than previous years and we hope to see this continue to decline at a greater rate. We note that the number of remote switches for smart meters may in part be due to the increased numbers of smart meters now installed and capable of being remotely switched. This may have replaced some traditional PPMs that previously would have been installed to repay a debt.

3.29. We are pleased to see that fears raised by consumer groups and charities of a potential sharp increase in traditional and smart PPMs being fitted to recover debt due to COVID-19 have not been realised, and that suppliers have considered ability to pay and the

[79] See (Ofgem 2017) Decision to modify gas and electricity supply licences for installation of prepayment meters under warrant and Ofgem (2020) Extending protections on prepayment meters installed under warrant: decision.

financial impact that COVID-19 has caused for many consumers when arranging repayment plans.

3.30. We are encouraged to see that the proportion of customers remotely switched from PPM to credit increased for both gas and electricity in 2020 (a 53% increase for electricity and 16% increase for gas since 2018). We note that these results may be in response to the COVID-19 pandemic, for instance due to the difficulties of physically topping up and the risk of going off-supply. **We hope to see the number of customers being switched from PPM to credit mode continue to rise, when this is in the best interest of the customer.**

3.31. A few suppliers stated that they had well established processes for proactive identification of vulnerable customers at risk of self-rationing based on known top-up behaviour, historic and frequent use of emergency or friendly-hours credit. In some cases, regular reports on 'vending' history of all PPM customers (both traditional and smart) are administered in order to identify those who had not topped up within certain period of time, depending on seasonal variations and where the value of vends have also reduced relative to the same period in a previous year.

3.32. Where self-rationing is identified, suppliers can use a variety of different contact methods to proactively contact customers to offer additional support, as they may be at risk of self-disconnection. This is good practice which could prevent customers from purposefully going without gas and electricity, in turn reducing the risk of negative impacts associated with this such as their health and wellbeing**. We encourage all suppliers to adopt these practices, particularly due to the difficulties of detecting self-rationing.**

We have seen good practice from a gas distribution network who have developed a referral app, which is now being used as industry best practice. This gives staff immediate access to the tools needed to support vulnerable customers. Customers are able to select the service they need, and their details are sent to the relevant partner for that area. Services include: safe and well visits, energy advice, accessing the Energy Help Hub, Appliance Repair Scheme, PSR, essential food delivery in partnership with supermarkets, Fuel Voucher Scheme, and a Covid Careline. As a result of these enhanced services, 1,443 partner referrals have been made. We would encourage suppliers to consider embedding similar practices to enhance their capability to provide immediate and tailored support to vulnerable customers, utilising partnerships where appropriate.

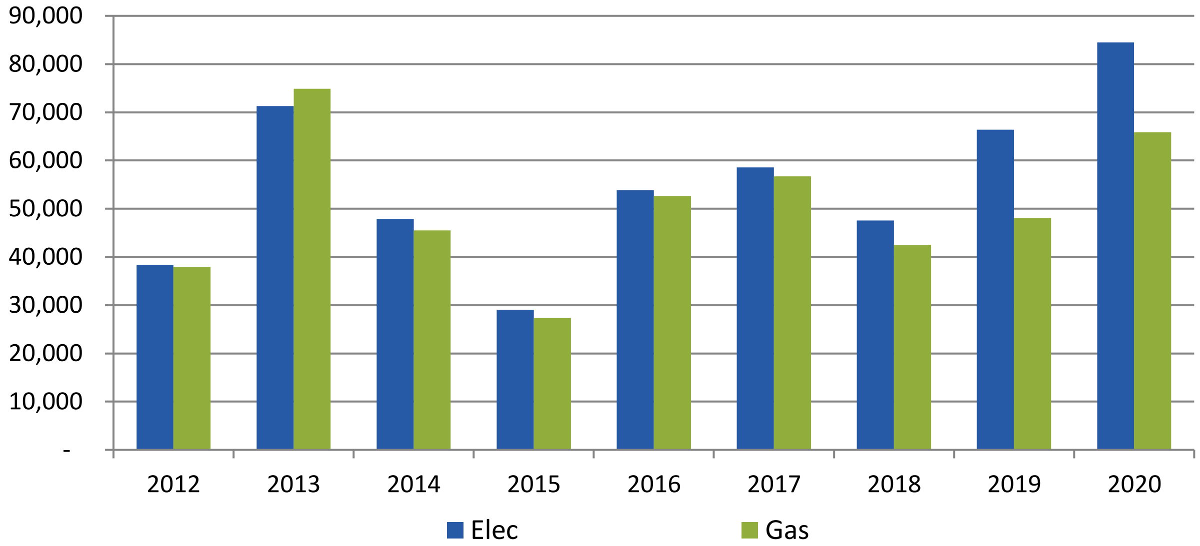
3.33. Some suppliers indicated good use of smart PPM data monitoring to enable the sending of low balance, emergency credit use or disablement alerts to smart PPM customers. In some cases, they also conduct regular reviews of smart PPM alerts to indicate those at frequent risk of self-rationing/disconnection, which is positive to see.

One supplier used smart meter data and data from the PSR to proactively contact vulnerable customers to see if they needed assistance. This included 1,323 PPM customers on the PSR, 1,540 customers on the PSR where their smart meter data showed their electricity consumption had increased by more than £25 a month, and 1,300 customers whom the supplier had concerns about potentially self-disconnecting based on their vending history. Help provided included additional discretionary credits, additional PPM top-ups and access to financial grants. Between March and May 2021, the supplier issued over 100,000 discretionary credits to customers, totalling £3.3 million. We welcome this and encourage suppliers to use their existing data to provide support to vulnerable customers where appropriate, but also continue to proactively seek out and support vulnerable customers who are not already on a PSR or on a PPM.

3.34. Some suppliers offered their PPM customers non-disablement 'calendar' services for smart meters in PPM mode to ensure customers are not disconnected during periods when they are unable to top-up (eg evenings and bank holidays). Furthermore, bespoke PPM non-disablement is considered for vulnerable customers with specific requirements**. It is positive to see suppliers protecting their PPM customers in this way, and we would like to see more suppliers doing the same.**

3.35. In line with relevant standard licence conditions, support is provided to PPM customers to enable switching to cheaper tariffs with other suppliers, in accordance with Debt Assignment Protocol (DAP) criteria.[80] According to our SOR data, the number of PPM customers who applied to transfer their debt to a new supplier under DAP rose by 37% for gas and 27% for electricity in 2020, continuing an upward trend since 2019 (see Figure 3.5). We note that these are only slight increases which we would like to see grow further, but are still positive developments.

Figure 3.5: The number of customers who have applied to transfer their debt under DAP



4. Conclusion

4.1. In the past 18 months we have witnessed profound changes across society and within the energy industry. Ofgem and industry are continuing to protect customers, particularly those in vulnerable situations. We call on the whole energy sector to keep demonstrating this spirit of collaboration as we move forward, to ensure consumers stay protected this winter and beyond, while recognising the challenges for a number of energy suppliers as a result of recent developments in the retail energy market. We summarise some of the positive outcomes for consumers and areas where we think energy suppliers can go further below.

Identifying customers at risk and providing support

4.2. We have seen some positive steps taken by suppliers to identify potential customers at risk of experiencing consumer detriment. For example, it is positive to see some suppliers investing in training staff to better detect and support customers living in vulnerable circumstances. We would encourage other suppliers to adopt this approach, which we believe would significantly improve outcomes for customers.

4.3. Energy suppliers need to ensure that they have the resources in place to respond to this increased level of consumer need as a result of the pandemic. With rises in energy prices and the removal of the Universal Credit uplift, there is potential for some customers to experience financial difficulty and potentially for the first time. We expect suppliers to ensure customers are able to contact their supplier and receive appropriate engagement and support. Customer service, communications, and all other customer facing aspects should be accessible and inclusive to all types of consumers.

4.4. We encourage suppliers to always consider their offline customers and have alternative methods of contact in place. It is important that all suppliers take steps to ensure they are aware of customers’ communication preferences and any accessibility requirements, which some suppliers are failing to do. We are already engaging with a number of suppliers where we consider that their customer service offering falls short of regulatory requirements and leads to poor consumer outcomes. We see significantly improved outcomes when freephone telephone numbers are available and accessible and would encourage wider uptake of this practice.

4.5. We welcome the commitment by signatories to the Energy UK Vulnerability Commitment to adopt a fully omni-channel approach to customer communications and we would encourage the rest of the market to follow this approach. It also is pleasing to see some suppliers are using different ways of monitoring customer satisfaction to improve processes, and we would like to see this way of engaging with customer feedback used more widely across the industry.

4.6. We believe that it is integral customers know that they can contact their supplier easily and be treated fairly when they do. In order for this to be effective, consumers must be aware that energy suppliers will directly provide support where appropriate, or signpost to a relevant organisation who can provide tailored advice and support.

Customers in financial difficulty

4.7. There have been positive improvements with regards to supporting customers in payment difficulty observed during 2021 but there are still areas for improvement in supplier performance, such as customers in arrears. All suppliers should be engaging with customers early to understand their circumstances and set up appropriate support, such as manageable repayment plans for customers in debt as a priority.

4.8. Suppliers should be regularly reviewing these repayment plans, in line with a customer's ability to pay and we want to see that consumers understand that energy suppliers must take this into account. We expect to see the number of customers on a debt repayment plan with their supplier increase before the publication of our next report.

4.9. Suppliers should consistently investigate failed repayment plans and consider the most appropriate payment method for the customer, particularly where a PPM may not be the most suitable payment method. We also acknowledge the importance of Third Party Deductions (sometimes referred to as Fuel Direct) for customers who are struggling to pay their energy bills and would like to see use of this payment method continue to increase, in line with rising Universal Credit claimant levels.

4.10. We have seen good practice examples of suppliers using a variety of methods to ascertain accurate bills reducing the risk and impact of 'bill shocks', such as multi-tiered best estimation processes which factor in historical consumption and seasonality using published industry algorithms. We would encourage all suppliers to consider how they can utilise these to minimise inaccurate bills as much as possible.

4.11. Additionally, some suppliers do not, or do not adequately, signpost to third party debt management organisations or charities that can provide additional support to customers struggling to pay, such as tailored advice or energy efficiency information. Third party debt support providers play an important role in helping customers who are struggling to afford their energy, and we would like to see more suppliers building relationships with them as good practice to improve outcomes for vulnerable customers. We know that some suppliers invest in relationships with debt charities to further support their customers, which is good practice that we would like to see more suppliers adopt.

PPM customers

4.12. We have seen industry step up to prioritise keeping people on supply throughout 2020 and 2021, particularly the people who need energy the most. We were pleased to see suppliers setting aside funds in order to support their customers through this unprecedented challenge to help them reduce their debt during the pandemic, or in some cases write it off completely. We have seen positive approaches to identifying and supporting vulnerable consumers, including those who are self-rationing their energy. We encourage suppliers to adopt approaches such as bespoke 'non-disablement calendars' for vulnerable consumers and regular PPM vend reports, which could prevent customers from purposefully going without gas and electricity.

4.13. We are also pleased to see the number of PPMs installed under warrant declining, but do acknowledge that COVID-19 containment measures may have been a reason for this decrease. We will therefore pay close attention to this figure next year and hope to see the number continue to decline. Similarly, the number of remote switches between PPM to credit mode has increased, we hope to see the number of customers being switched from PPM to credit mode continue to rise, when this is in the best interest of the customer. We also expect suppliers to continue to support the DAP process are pleased to see the number of successful switches through the DAP continuing on an upward trend year-on-year.

4.14. More generally, we continue to encourage energy suppliers to look beyond the sector and be innovative in their approach to identifying vulnerable customers and further good practice, making it as easy as possible to reach them as well as for them to disclose their vulnerable circumstances and receive support. We hope to see the energy market continue to improve its standards in these areas, and expect industry to respond to the findings and insights presented in this report. We intend to provide an update in our next edition of the Consumer Protection Report, scheduled for 2022.