

Rt Hon Grant Shapps MP
Secretary of State
Department for Business, Energy
& Industrial Strategy
1 Victoria Street
London
SW1H 0ET

Date: 24th January 2023

Dear Secretary of State,

Tackling inappropriate energy supplier prepayment meter practices

Thank you for your letter of 21st January regarding your concern over the outcomes for consumers relating to supplier prepayment meter (PPM) installation practices. Protecting consumers is our primary objective– and our expectations are that suppliers treat customers fairly. They must take into consideration any vulnerable circumstances when supporting consumers who are struggling to pay their bills, when progressing through debt pathways and considering installing or switching to a PPM.

The unprecedented cost-of-living crisis has left consumers facing the hardest winter in decades, with millions struggling to afford the cost of energy and other essentials. This has already led to the highest increase in energy debt we have seen in over a decade (currently £2.5bn) and suppliers taking action to prevent consumer debt getting worse by installing PPMs.

As you recognise in your letter, prepayment meters are an option that can help some households control their spending and avoid getting into debt. Used responsibly they can strike an effective balance between protecting customers from building up unmanageable debt or being cut off, and enabling suppliers to recoup debt.

But there are rightly rules around the use of PPMs, intended to ensure consumers, especially the vulnerable, are protected. We reminded suppliers of their obligations and our expectations in our regulatory expectations letter, good practice document on supporting consumers in payment difficulty and a letter on PPM remote switching.^{1 2 3} We have conducted Market Compliance Reviews (MCRs) into suppliers' governance and processes on how they treat Customers in Payment Difficulty⁴ and into Vulnerability.⁵ These reviews resulted in Provisional Orders being issued to two suppliers with serious weaknesses to address. One supplier has paid £0.5m in compensation to customers affected by its failings, and a further £0.3m into the Energy Redress Fund. Suppliers committed to actions as a result of these MCRs and we are monitoring their implementation.

¹ <https://www.ofgem.gov.uk/publications/regulatory-expectations-supporting-customers-payment-difficulty>

² <https://www.ofgem.gov.uk/publications/good-practice-supporting-customers-payment-difficulty>

³ <https://www.ofgem.gov.uk/publications/letter-suppliers-november-2022>

⁴ <https://www.ofgem.gov.uk/publications/market-compliance-review-customers-struggling-bills>

⁵ <https://www.ofgem.gov.uk/energy-policy-and-regulation/compliance-and-enforcement/improving-energy-supplier-performance-consumers>

Despite these actions, there have been continued reports of suppliers not going far enough to support and protect consumers in vulnerable circumstances. Therefore, we are taking further action:

First, we will conduct a further MCR focused on suppliers' practices on PPMs. It will ensure suppliers have robust procedures, governance and oversight in place. It will include assessing how suppliers assess whether a PPM is suitable, before any action is taken such as remotely switching to PPM or installing a PPM under warrant. We will be sampling individual consumer cases to check if suppliers adhere to their own practices.

Second, we will increase the frequency of our monitored of key metrics, expanding data collection as needed to monitor issues raised by the MCR. This enhanced reporting of data will be needed until we are satisfied that appropriate consumer outcomes are being delivered.

Third, we will launch a review of existing licence conditions, with a focus on the highest priority issues including identification of vulnerabilities, PPM "safe and reasonably practicable" guidance, and processes in place for installing or switching customers to PPM.

We will publish our findings, including the performance of suppliers against the supply licence conditions and obligations.

The rules are, and will always be, a minimum standard for suppliers to follow. We recognise and welcome the fact that many suppliers have already taken voluntary action that goes beyond their licence obligations, and support your call for more suppliers to go further in protecting their vulnerable customers this winter.

We look forward to discussing what more can be done with you and the Government over the coming week, alongside potential longer-term interventions to tackle the affordability challenge such as the social tariff, targeted at those most in need. Working together, we believe it is possible to deliver a sustainable solution to ensure the affordability of energy, fair treatment of consumers, and the long-term financial stability of suppliers.

I look forward to discussing these matters further with the Minister for Energy and Climate and other stakeholders at the roundtable on Wednesday 25 January.

Yours sincerely



Jonathan Brearley
Chief Executive Officer