Decision

Involuntary Prepayment Meter (PPM)

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This document outlines our decision to introduce rules for Involuntary Prepayment Meter (PPM) into Supply Licence Conditions. This decision follows our Call for Evidence published in February 2023, the Involuntary PPM Code of Practice developed with stakeholders and published in April 2023, and our statutory consultation published in June 2023.

This document sets out the reasons for our decision to proceed with splitting integration of the Code between Supply Licence Conditions and PPM guidance; our decision on the categories for whom an Involuntary PPM would never be considered safe and reasonably practicable; and our position on debt, bad debt and impact assessment challenges.

Any enquiries related to the text of this publication should be sent to Ofgem at:

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Foreword

The need to strengthen the rules.

From discussions with energy customers, I know that prepayment meters (PPM) can be a useful payment method that helps people to manage their energy spending. But they are not suitable for everyone. Ofgem rules required energy suppliers to check that it was safe and reasonably practicable to install a PPM before doing so, but it became clear that has not always been done appropriately by all suppliers. The shocking reports of alleged British Gas contractor behaviour prompted us to ask all suppliers to pause Involuntary PPM installations (including remote switches) while we revisited the rules on PPM.

This document sets out our strengthened rules for Involuntary PPM to ensure we can protect customers, especially those in vulnerable circumstances. It creates a host of new requirements on suppliers in how they assess suitability for PPM, and if a PPM is suitable, how they install one and support customers post-installation.

A key decision for Ofgem has been to decide which households should never have a PPM forced on them. There are challenging trade-offs to navigate, but drawing on important consultation responses, we are expanding the 'do not install' category to households with children under two and households only occupied by adults aged over 75.

There is a significant level of detriment that could be faced by these groups if they self-disconnect frequently or for prolonged periods. For babies, that detriment can last into a child's later years and adulthood, and for the elderly, it is more likely they will have serious long term health conditions or disabilities, and some may struggle to operate a PPM effectively and be less able to utilise digital options for support.

We are also confirming new protections for a range of other potentially vulnerable households, such as those with children aged 5 and under, or those with serious medical and mental health conditions. In every case, suppliers must assess the individual situation of a household before installing a PPM (or switching a smart meter to prepayment mode).

These are difficult decisions to make, and I recognise that these expanded protections may lead to an increase in bad debts in the sector, but we believe the evidence justifies protecting the most vulnerable in our society and the benefits of the changes will outweigh the costs.

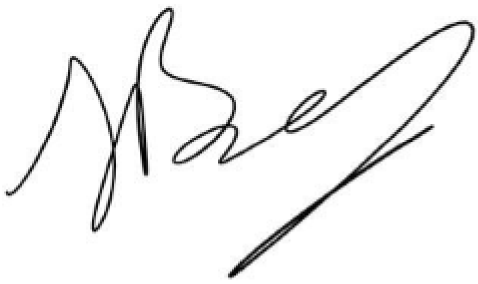
Looking forward

We welcome suppliers continued commitment to the moratorium on Involuntary PPM. That moratorium remains in place, and we have set clear restart conditions that suppliers must meet before we will support renewed Involuntary PPM installations.

As PPM installations do restart, we will be closely monitoring them. I have been clear that suppliers are responsible for complying with the rules and it is for their boards to attest to their readiness to restart PPM installations, and to do so in line with our new rules. Failure to adhere to the rules will result in appropriate compliance and enforcement action.

In setting out this decision, I also want to take this opportunity to speak to customers directly. The strengthened rules we are implementing today are designed to protect the most vulnerable in our society from being forced onto a payment method if it's not safe for them to use. While our research tells us that people don't like to be in debt, want to find a way out of it and that energy bills are a priority, we have to balance this with reports of customers who simply *won't* pay their bills. Ultimately, if people who can pay don't pay, other energy consumers will be worse off. We will closely monitor debt levels and keep these rules under review and, if necessary, adjust them.

Finally, as we head into another winter of high energy prices, I remind customers that energy suppliers are obliged to support them, taking account of personal circumstances, whether this be a disability, mental health condition or if they're struggling to pay for their energy. I implore customers to engage with their supplier, so that the supplier can provide the appropriate support.



Jonathan Brearley

CEO Ofgem

Executive Summary

Our response to the Involuntary PPM issues we have seen

Earlier in 2023, we became aware of serious issues in the way some energy suppliers approached Involuntary Prepayment Meter (PPM) installations. In response, we agreed a moratorium on Involuntary PPM installations and, through detailed discussions with suppliers and consumers groups, agreed an Involuntary PPM Code of Practice (Code). The Code aimed to ensure that customers, especially those in vulnerable circumstances, are protected when struggling to pay their bills and faced with Involuntary PPM. We also launched a Market Compliance Review into suppliers' practices on PPM and opened an investigation into British Gas.

In June 2023, we published a statutory consultation on incorporating the provisions in the Code into Supply Licence Conditions and Guidance, and sought stakeholders' views. We made two main proposals in the statutory consultation:

- Modify the Supply Licence Conditions to integrate the key elements of the Code and bring these together with SLC 28 and 28B into a new SLC 28, alongside additions and modifications to SLC 27A.
- Update the existing Safe and Reasonably Practicable guidance to integrate the detailed and more prescriptive elements of the Code.

We considered this would strike the right balance between protecting consumers and enhancing protections for certain vulnerable groups, whilst allowing suppliers to exercise their statutory right to recover debt.

We acknowledged that the impact of our proposals on bad debt was inherently uncertain, and depended on macro-economic conditions, the cost of energy, and any changes in consumer behaviour. However, we estimated the rise in bad debts would likely lead to increased costs at the lower end of between £3 and £14 per household.

Summary of stakeholders' responses

On the overall approach we have taken, consumer groups generally supported our proposals, though many wanted us to go further and protect more households. Suppliers agreed we should translate the Code into licence but did not support some parts of it most notably regarding the retention of the over 85s and under 5s age categories in the 'do not install' categories. They generally thought it was inappropriate to use age as a defining factor for 'do not install' categories.

Most suppliers were concerned that the proposals were being rushed, and that they should go through a longer trialling phase to assess their efficacy and impacts before implementing them. However, most consumer groups suggested that these same proposals should be implemented with urgency.

Some suppliers and one trade body commented on the cost of implementing the Code and any changes to the licence, with a particular focus on expected increases in bad debt. They said that Ofgem should have agreed an appropriate means of compensating suppliers due to the Code requirements. We recognise concerns that fewer PPM installations because of the Code, combined with the moratorium, could result in higher levels of bad debt. In our Impact Assessment (IA) we addressed issues including debt trends, working capital and moratorium costs, and potential benefits. We presented evidence supporting our assessment of these issues, including our cost benefit analysis on the implementation of the Code into the Supply Licence, and our 'top down' and 'bottom up' analysis of the impact on bad debt. In response to our IA, some suppliers raised concerns around the uncertainty of market evolution and the inherently difficult task of forecasting bad debt levels. Some suppliers also said they could face different costs related to debt. Additionally, some suppliers suggested that we overestimated the benefits of this policy.

We have committed to further assess the bad debt levels and costs to serve, and to making an adjustment to the allowance in the price cap based on evidence if we consider it necessary. For example, we are introducing a specific allowance to the price cap from 1 October 2023 for anticipated increased costs of bad debt associated with Additional Support Credit (ASC) given to PPM customers.

Our decision

Having taken stakeholder feedback into account, we have decided to implement our proposals largely as set out in our statutory consultation. However, we have decided to move children under two into the 'do not install' category and to expand the upper age range to include over 75s as well as over 85s in this category. This will ensure babies and very young children are protected from any detriment due to Involuntary PPM and subsequent self-disconnection – we know babies require more calories for growth if they are living in a cold home. It will also protect more older households as well.

Given these changes, we have revised the IA figures on potential bad debt, and now estimate that bad debt could be £4-£16 per household per year in a range of most likely scenarios, though as before the estimates are very uncertain. We have also amended certain licence drafting in response to specific supplier feedback and clarified that where the guidance contains an obligation, suppliers must comply with it.

This is a difficult decision and needs to balance our statutory objective to protect consumers, suppliers' ability to manage debt, and the possibility of increased bad debt that other consumers would need to pay for. We recognise that not all stakeholders will support our decision. Some will think we have gone too far and others that we have not gone far enough. However, we consider it strikes the most appropriate balance between the trade-offs we face.

These rules are an important part of our drive to improve customer service standards

As we said in the statutory consultation, these rules will benefit consumers. It is fundamentally important that suppliers treat all customers fairly, and the Involuntary PPM protections we are introducing will particularly help consumers in vulnerable circumstances. They will help them stay on supply, allowing them to better heat their homes and reduce the chance they will become unwell from living in a cold home.

Suppliers need to comply with these rules. We will operate enhanced monitoring of suppliers when PPM installations re-start and we are prepared to take swift compliance action in cases of suspected breach. The rules form an important part of our work to drive up standards for consumers, along with our programme of Market Compliance Reviews and our proposals on Consumer Standards. This is vital to restore suppliers' reputation and to give consumers confidence that they can rely on their supplier to give them the service they need, when they need it.

Restarting Involuntary PPM installations

No suppliers should currently be carrying out Involuntary PPM installations or remote switches. We have set strict conditions that they must meet before we think that they should do so. Suppliers are at various stages of working through these conditions. The courts in England and Wales are also considering how and when to begin accepting warrant application listings again. We understand that courts in Scotland did not stop accepting warrant applications.

Energy costs have fallen, but many consumers still cannot afford their bills

Our interventions on Involuntary PPM policy and suppliers' compliance are happening at a difficult time for energy consumers. Although energy costs have fallen considerably since winter 2023/24, consumers' energy bills are still twice as high as before the gas crisis. Whilst suppliers must do all they can to support their customers, there are many consumers who will struggle to pay their energy bills. The scale of affordability pressures means many of them will be in that situation for the first time. We remain committed to working with all stakeholders, including with government, on enduring solutions that can help all consumers afford their energy.

1. Introduction

Section summary

This section provides an overview of our decision, linkages with other ongoing work, the consultation process and next steps.

This decision

1.1. This document outlines our decision to integrate the Involuntary PPM Code of Practice into Supply Licence Conditions (SLCs) and updated PPM Guidance (Safe and Reasonably Practicable). We have decided to proceed with our approach set out in our Statutory Consultation published in August 2023, to integrate the Code across SLCs and PPM Guidance. We have made two notable changes to the final decision, driven by strong stakeholder feedback in response to our consultation:

- Moving **over 75s** with no other support in the household into the 'do not install' category; and
- Moving households with **children under two** in the 'do not install' category.

1.2. We have also made some modifications to how the requirements are split across both the SLCs and PPM Guidance, responding to calls to provide further clarity on the obligations suppliers have to comply with and further expectations set out in the PPM Guidance. We have also committed to consultation prior to any future changes to either the PPM Guidance or SLCs.

1.3. These changes are within the scope of the previous consultation and therefore we do not consider there is a need for further consultation. However, we will keep matters under review and may amend the protections where we see evidence that the intended outcomes are not being realised.

1.4. Alongside this document we have published:

- **Notices of modification and reasons** for the decision to modify the Standard Licence Conditions of the electricity and gas supply licences, and
- **Final PPM Guidance** (Safe and Reasonably Practicable) which sets out the clarification of compliance with obligations set out in relation to PPM.

Next Steps

1.5. The changes set out in the modification notices published alongside this document will take effect from 8 November 2023.

1.6. We will be closely monitoring the outcomes of these protections. There will be particular focus on supplier compliance following restart of Involuntary PPM activity, to ensure that suppliers are complying with the protections. We will carry out proactive compliance work on these rules, which is likely to involve sampling of customer journeys.

1.7. If we observe the intended outcomes are not being realised, we will take swift action to remedy the cause.

Wider policy linkages

Debt

1.8. We recognise that the current cost-of-living crisis, including high energy prices are causing more and more people to struggle and fall behind on their bills. These protections are designed to support customers in these situations, for whom a PPM would not be safe and reasonably practicable, and therefore should not be installed without consent.

1.9. As this restricts the availability of debt recovery options to suppliers, suppliers may adopt alternative debt recovery practices more often. Customers in vulnerable circumstances may be pursued for monies owed via other means. Regardless of the type of debt recovery method, consumers must be treated fairly and actions must remain proportionate to the circumstances and amount owed at all times.

1.10. We are focussed on monitoring the behaviour of suppliers and their representatives when recovering debts and will take compliance or enforcement action if necessary. We are working with consumer groups and suppliers to ensure that consumers are protected across the whole customer journey and receive consistently good consumer outcomes, especially at the tail end when debts are being recovered.

Bad Debt

1.11. Many suppliers stipulated that their agreement to adhere to the voluntary Code was conditional on Ofgem ensuring they were also able to recover the cost of increases to bad debt. We have always been clear that we would keep bad debt under review and make adjustments to the price cap in light of evidence.

1.12. In our update letter on 28 June 2023, we confirmed that given the evidence received up to that point, we considered there was not a material or systematic gap between the allowance within the price cap for debt-related costs (including bad debt) and actual costs. We also confirmed, however, that we intended to continue to review and monitor debt-related costs, including in relation to the impact of the steps we are taking on Involuntary PPM, wider affordability pressures and the changes to government support, such as the Energy Price Guarantee (EPG) and Energy Bill Support Scheme (EBSS). We expect to provide the next quarterly update on this workstream in early Autumn and continue to welcome engagement from all stakeholders on this issue.

1.13. As part of this review, we have also considered whether a supplier specific, non-price cap, method of bad debt recovery is feasible and in consumers interests. We have not identified a feasible or appropriate mechanism, or consensus of views, on a non-price cap recovery mechanism; we also note the lack of evidence above as to the need, or consumer benefits from introducing a non-price cap mechanism for supplier cost recovery.[1]

OPEX

1.14. Some suppliers raised concerns with increased operating costs as a result of some of the measures proposed within the statutory consultation. In May 2023, we launched a call for evidence to support our review of operating cost allowances in the price cap. The intention of the review is to consider whether changes to the allowances are appropriate, and if the allowances still reflect the efficient costs a notional efficient supplier may incur. In our IA, the benefits from this policy clearly offset the combined impact of bad debt and operating cost. This review is ongoing, and suppliers should continue to provide evidence of operating costs increases to feed into our analysis and decision. We intend to consult on our findings by Spring 2024.[2]

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[1] Price cap – Update on debt-related costs review | Ofgem

[2] Price cap - Call for Input on the Operating Cost Allowances Review | Ofgem

Compliance, Enforcement and restart

1.15. Our historical compliance investigations are ongoing. However, early results indicate that historical compliance with the rules relating to PPM has been poor, the existing rules have not been well adhered to leading to, in some cases, quite significant consumer detriment and harm.

1.16. We have set strict conditions on restart of Involuntary PPM installations that suppliers have agreed to meet.[3] Suppliers must be able to demonstrate they have met these conditions before we can be satisfied they can restart Involuntary PPM installations in compliance with the obligations. To date, no supplier has fulfilled the conditions set out. We continue to work with suppliers as detailed below.

Customer Research

1.17. We have today, alongside this consultation decision, published findings from qualitative research that explored the consumer journey of some households who pay via PPM. The research highlights the lived experience of these customers and demonstrates the challenges that customers can face.

1.18. The research indicates the benefits that PPMs can have, including increased visibility and control over energy usage and spend, but also highlights a number of areas of potential consumer harm. These areas include:

- Various perceived failings in supplier communications around debt and options available to customers if and when they get into debt.
- Limited use of multiple contact methods and channels.
- Inflexibility with repayment plans and affordability.
- Lack of information about how to use a PPM, tariff information and support available.

1.19. Whilst we hope that today's policy decision and our ongoing work programmes addresses some of the improvements needed for PPM customers, we will continue to monitor the experiences of customers on PPM in our ongoing research programme, which remains a vital tool to gathering insights directly from consumers.[4]

[3] Energy regulator outlines next steps on forced Prepayment Meter (PPM) installations | Ofgem
[4] Prepayment meter Qualitative research 2023

Consumer Standards

1.20. In July 2023 we published our statutory consultation proposing changes to make it easier for customers to contact their supplier, help provide support for customers who are struggling with their bills and improve overall customer satisfaction. The consultation has now closed and we are analysing responses with a view to publishing our decision later this year.[5]

Context and related publications

The following publications are relevant to this decision.

Prepayment rules and protections: a call for evidence | Ofgem

Involuntary PPM - Supplier Code of Practice | Ofgem

Statutory Consultation – Involuntary PPM | Ofgem

Consumer Standards - Statutory Consultation | Ofgem

Allowance for additional support credit bad debt costs | Ofgem

Price cap - Call for Input on the Operating Cost Allowances Review | Ofgem

Prepayment Meter Qualitative Research | Ofgem

Our decision-making process

In January 2023, we announced a package of work focused on PPM. As well as investigating reports of poor supplier practice, we committed to reviewing the licence conditions and guidance to consider what else they should cover to further protect consumers. Following a call for evidence, we developed a voluntary Involuntary PPM Code of Practice in close collaboration and with significant input from suppliers, Energy UK and consumer groups. We consulted on integrating the Code into licences and guidance and are now publishing our final decision following stakeholder feedback.

[5] Consumer Standards - Statutory Consultation | Ofgem

Decision-making stages

Date	Stage description
21/02/2023	Call for evidence launched
14/03/2023	Call for evidence closed
18/04/2023	Involuntary PPM Code of Practice published
28/06/2023	Stage 1: Consultation open
27/07/2023	Stage 2: Consultation closed (deadline for responses)
27/07-31/08 2023	Stage 3: Response analysis and decision governance
14/09/2023	Stage 4: Consultation decision published

General feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this report. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall quality of this document?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Are its conclusions balanced?
5. Did it make reasoned recommendations?
6. Any further comments

Please send any general feedback comments to RetailStakeholderTeam@ofgem.gov.uk

2. Statutory consultation responses

Section summary

This section provides an overview of the consultation responses received. Sections 3-8 provide an overview of our initial proposals, our final decision and more detailed summaries of the response received to our consultation.

2.1 We received 29 detailed responses to our August 2023 consultation. We also received 20,000 responses from consumers, driven by a petition campaign run by 38 Degrees.[6] We have carefully considered and taken into account stakeholders' views. In this document, we outline the reasons for the decisions we have taken and their intended effect.

2.2 The detailed responses were submitted by:

- 15 consumer groups;
- 7 suppliers;
- 3 industry bodies;
- 2 consumers;
- 1 trade body; and
- 1 Member of Parliament.

2.3 We also held separate discussions with consumer groups and suppliers.

2.4 Overall respondents agreed with our proposals to integrate the Code into licences. Consumers and those advocating on behalf of consumers strongly agreed with moving the Code into licences at pace to ensure mandatory protections for the most vulnerable consumers, and strongly argued for us to go further with the protections proposed.

2.5 Suppliers, although supportive of moving the Code into licences, were more concerned with the pace of implementation, and some responded strongly to the decision not to increase the bad debt price cap allowances at this time. Some suppliers also argued that a consumer's age alone is not an appropriate basis to decide whether a PPM should be involuntarily installed.

2.6 Suppliers also had reservations about the level of obligation setting within the proposed guidance, and along with some consumer groups, called for more to be

[6] See Annex 1 for more detail.

included within licences rather than guidance. Suppliers also made detailed comments on the proposed drafting in licence and guidance.

2.7 Most respondents agreed with the categorisation of vulnerability examples for absolute protections (do not install). However, due to low confidence in supplier compliance with assessments for the 'further assessment needed' category, there were strong calls from consumers and consumer groups to take input from NHS seriously and make changes to the proposals, and move households with children under five and over 75 into the 'do not install' category.

2.8 We have outlined the responses to each question and other matters raised in more detail below and set out our position and final decision.

3. Integrating the Code into supply licences

Question

Q1. Do you agree with our proposals to integrate the Code into the supply licences?

Summary of decision

3.1 In our June statutory consultation, we proposed amendments and introductions to licenses. We proposed combining SLCs 28 and 28B into one condition to combine all rules related to PPMs, warrants and supplier activities in relation to debt. The proposal included adding relevant parts of the Code covering Involuntary PPM into this SLC and a further modification to SLC 27A. These proposals set out the SLC requirements that suppliers must comply with. The prescriptive or clarificatory detail behind these would predominantly be included in updated safe and reasonably practicable guidance, which we proposed renaming 'PPM Guidance – safe and reasonably practicable'.

3.2 We have decided to proceed with our proposals to integrate the Code into SLCs. However, we will be strengthening the language used within SLC 28.4 that references the PPM guidance, to align it with that proposed in 28.8 making clear that suppliers must comply with the obligations in the guidance as well as the SLCs.

3.3 We have also moved some of the requirements, such as the definition of Consent, Site Welfare Visits and the Debt Trigger from the guidance into SLCs, in line with stakeholder views in response to the consultation. We have also incorporated a change to the SLC to make clear our commitment to consult on future changes to the guidance. Finally, we have made a number of typographical and clarificatory changes, which are detailed in later sections.

Summary of responses

3.4 In response to the statutory consultation, our proposal to move the Code into the licence broadly received widespread support.

Consumer groups, charities and other respondents

3.5 Consumer groups and charities showed strong support for this proposal. Responses noted that these proposals will help to clarify existing ambiguities and oversights which currently exist in the Code and that making the Code enforceable will ensure that they are meaningful in the long-term. Some called for us to go further with the changes, but only if it did not delay implementation of the rules, which they considered to be high priority.

3.6 Some consumer groups noted that this proposal highlights that Ofgem acknowledges that suppliers are not adequately supporting or protecting vulnerable consumers since this proposal will help to do this. Some groups wanted us to go further to protect more groups of consumers and some also still advocated for a full ban of Involuntary PPM. Others welcomed the new safeguards and assessment criteria for suppliers prior to PPM installation and the requirement to provide credit when a customer has an PPM involuntarily installed.

3.7 Other respondents were also broadly supportive of the proposal, aligning with the consumer groups and charities.

Consumers

3.8 97% of the consumers that responded to the consultation via the 38 Degree campaign agreed that the Code should be incorporated into licences. The remaining 3% and one consumer who responded separately did not feel that such protections should be provided at all.

Suppliers

3.9 Suppliers and trade bodies were generally less welcoming of the proposals. Some, whilst accepting that the proposals could be effective in the future, were concerned that the current Code is untested on any Involuntary PPM installations. They suggested having a period where suppliers can test the Code in practice and in collaboration with Ofgem to test its efficacy. There was widespread concern that Ofgem is moving too quickly with these proposals and that we should take a more pragmatic approach to implementing them.

3.10 Suppliers also felt that too much of the Code had been placed into guidance, creating an imbalance in obligation setting. There was also concern noted around the language used to reference the guidance.

3.11 Two suppliers disagreed altogether with the proposals, with one reason being that Ofgem declined to provide any additional bad debt allowance, in addition to the proposal being rushed.

4. Approach to integrating the Code into PPM Guidance

Question

Q2. Do you agree with our approach to integrating the relevant parts of the Code in to the Safe and Reasonably Practicable Guidance?

Summary of decision

4.1 In our June statutory consultation, we proposed updating and expanding existing Safe and Reasonably Practicable Guidance to include and reflect the relevant parts of the Code which are specific to Involuntary PPM. We reminded suppliers that they must ensure that they are satisfied a PPM is safe and reasonably practicable in all circumstances and act in the best interests of consumers. We proposed retaining the disability/characteristic/condition examples in the Code within updated and expanded PPM Guidance (safe and reasonably practicable), recognising that this is a balance of judgement, and we would need to weigh up medical and other considerations such as the potential for bad debt.

4.2 We have decided to continue with proposals to move aspects of the Code into PPM Guidance, which is referenced in SLC 28.4. As noted for SLCs, we have strengthened the reference to compliance with the Guidance and moved some of the requirements into SLCs.

4.3 We have made some minor amendments where drafting changes from the Code caused unintentional consequences and amended the wording in SLC 28.4 to be clearer that we will consult on any changes to the Guidance before implementing.

4.4 Finally, we have made some amendments to the assessment categories for Involuntary PPM, to include chronic obstructive pulmonary disease (COPD) as a collective term in 'do not install' and to include nutritional issues and learning disabilities (in addition to difficulties) into 'further assessment needed'.

4.5 Our decision to amend the age groups for these categories is set out in more detail below.

Summary of responses

Consumer groups, charities and other respondents

4.6 Consumer groups and charities broadly supported these proposals, citing that they consider that implementing the Code in this way will help to avoid significant detriment to consumers provided it is accompanied by comprehensive monitoring and enforcement. Others noted that, whilst they agree with the proposal, they would prefer that it was put directly into the licence. Whilst some groups noted their support, they raised concerns that elements of the guidance lack the necessary prescription to be effective and whether new provisions will be effectively enforced.

4.7 Other respondents also supported the proposal, noting that the guidance is an appropriate place for these parts of the Code.

Suppliers

4.8 Supplier sentiment on this proposal was mixed with some in support and others not. Those in support noted that bringing the requirements into a single document will be beneficial. Some suppliers noted that whilst there are some areas of the Code which sit well in the guidance, it is important that anything included in the guidance which Ofgem intended to be able to take enforcement or compliance action against should be included in the licence.

4.9 There was however support from one supplier for the proposal. They stated it would be beneficial to ensure that guidance can be updated in a timely manner to reflect how the principles work in practice and to ensure that any unintended consequences can be quickly addressed.

4.10 Some suppliers disagreed with the proposal, saying that they don’t think that the guidance is an appropriate place to set out new supplier obligations drawn from the Code and that they should be in the supply license instead. Others mentioned that due to the lack of debt recovery options which Ofgem had agreed to work on, they are unable to agree with the proposal. Some suppliers also noted concern with the speed of change, citing a risk of unintended consequences.

5. Retaining aged 85 and over in the 'do not install' (DNI) category

Question

Q3. Can you provide any evidence on whether we should retain the 'over 85s' in the 'do not install' category?

Summary of decision

5.1 In the statutory consultation, we proposed that customers over the age of 85, with no other support in the household, should be within the 'do not install' category as set out in the Code. We asked for evidence as to whether the over 85 age group (over 85s) should be retained in the 'do not install' category for our final decision.

5.2 We have decided to **amend the over 85s group to over 75s in the 'do not install' category**. We consider that PPMs are much less likely to be safe and reasonably practicable for the elderly and that the potential detriment likely to be suffered in cases of self-disconnection, where there is no other support in the household, is significant. Our IA sets this out in more detail, but evidence shows that elderly people are more likely to experience detriment from living in a cold home.[7]

5.3 Whilst we received opposing views from consumer groups and suppliers around using age as a defining factor, on balance, we consider there must be a level of protection offered to the elderly. It is evident that there is likely to be a higher prevalence of serious long-term health conditions or disabilities for the elderly, and they are likely to be more digitally disadvantaged, limiting their options for contacting their supplier for relevant support. We consider that including over 85s alone in the 'do not install' category created an acute categorisation that was not expansive enough to protect those in similar vulnerable situations and, following guidance provided by stakeholders, have decided that this group of vulnerable consumers would be best protected by extending the 'do not install' category to capture those aged 75+.

[7] Institute of Health Equality, 2022: Fuel Poverty, Cold Homes and Health Inequalities in the UK | IHE; ONS: Winter mortality in England and Wales | Office for National Statistics ; Institute of Health Equality, 2011: The Health Impacts of Cold Homes and Fuel Poverty | IHE

5.4 Further, we consider those of pensionable age (aged 65+) may still be at risk of detriment, we have therefore retained expectations that suppliers satisfy themselves that a PPM is safe and reasonably practicable for households with adults aged over 65, before installing a PPM.

5.5 We will continue to monitor consumer outcomes and behaviours, and any other unintended consequences that may arise from this decision and will take swift action to amend it if the intended outcomes are not being realised.

Summary of responses

Consumer groups, charities, and other respondents

5.6 The consumer groups and charities broadly, and in some cases strongly, supported retaining the over 85s in the 'do not install' category. Two noted that they believed that this should be extended to as low as 65 years of age whilst another two called for an extension to 75 years of age. Others also still called for a full ban on any Involuntary PPM installations.

5.7 Evidence provided to support retention of the over 85s included National Institute for Health and Care Excellence (NICE) guidance and other research conducted that demonstrated the significant harm suffered by elderly people living in a cold home and case studies from live contacts with customers.[8] [9]

5.8 Other respondents were also in favour of retaining the over 85s. However, some felt that the age threshold should be as low as 60 years and another noted that setting the age at 85 is an extreme choice that puts almost all pensioners at risk.

Consumers

5.9 97% of the consumers that responded to the consultation via the 38 Degrees campaign agreed that over 85s should be protected from Involuntary PPM.[10]

Suppliers

5.10 The suppliers had mixed opinions on this. Those against retaining the over 85s firmly noted that age alone should not be relied upon as a means of assessing a person's suitability for a PPM. They acknowledged that age is an important consideration but should be considered alongside a consumer's wider characteristics and that the inclusion of over 85s would further reduce suppliers'

[8] Find guidance | NICE
[9] See statutory consultation responses Statutory Consultation – Involuntary PPM | Ofgem
[10] See annex 1 for some caveats to this %

ability to install PPMs where they are safe and reasonably practicable in a way that could reduce bad debt costs.

5.11 Those in favour of retaining the over 85s in this category said that they think 85 is the right age threshold for 'do not install' but that most people over the age of 85 would fail the safe and reasonably practicable test for reasons other than age. In that case the over 85s category might not be necessary since it removes the option for a PPM to be used where it might be otherwise be suitable for the customer.

6. Including children under five in the 'do not install' category

Question

Q4. Can you provide evidence on whether we should include children under the age of 5 in the 'do not install' category?

Summary of decision

6.1 In the statutory consultation we proposed retaining households with children under 5 in the 'further assessment needed' category in the Code. We asked for evidence as to whether the under fives age group should be moved to the ''do not install'' category.

6.2 This group have caused the biggest divide in views over levels of protections that should be offered whilst balancing the risk of significant increases in non-payment and bad debt. We agree with consumer groups, charities and consumers that young children are at the greatest risk of suffering detriment, and that that detriment may impact and stay with them as they grow up and into adulthood.[11] [12]

6.3 These groups also raised concerns about their lack of confidence in suppliers' ability to conduct assessments for this group if retained in the 'further assessment needed' category. Although our Market Compliance Review (MCR) work is ongoing, we share the concern that it will take time to be able to conduct effective 'further assessment needed' assessments as we do not yet have

[11] Fuel Poverty, Cold Homes and Health Inequalities in the UK - IHE (instituteofhealthequity.org)
Briefing7_Fuel_poverty_health_inequalities.pdf (publishing.service.gov.uk)
[12] Fuel Poverty, Cold Homes and Health Inequalities in the UK - IHE (instituteofhealthequity.org)

evidence that suppliers' processes and governance are robust. We will continue to engage with suppliers on improvement actions.

6.4 We have decided to strike a balance for protections for households with young children. While we recognise that self-disconnection creates a risk of detriment for children of all ages, we have the biggest concerns for the significant detriment that can be suffered in babies, who require more calories for growth if they are living in a cold home. Evidence also shows that young children are more susceptible to detriment from living in a cold home. We have therefore decided to include **households with children under the age of two in the 'do not install' category.** Households with children five and under will remain in the 'further assessment needed' category. We understand this may result in increases to bad debt, as set out in the updated IA, but will keep under review.

6.5 We have also decided to amend the wording in the 'further assessment needed' category to households with children aged five and under, to align with Priority Services Register (PSR) needs codes and ensure that children aged five are also captured within the protections.

6.6 We have retained the proposal that suppliers are encouraged to satisfy themselves that a PPM is safe and reasonably practicable for households with children aged under 16.

6.7 We will continue to monitor consumer outcomes and behaviours, and any other unintended consequences that may arise from this decision. We recognise that this will result in change for suppliers in how they conduct detailed case by case assessments and consider that clearer boundaries and certainty of protections is required at this stage. We will consult stakeholders and amend as necessary if the intended outcomes are not being realised.

Summary of responses

Consumer groups, charities and other respondents

6.8 The consumer groups and charities were unanimously in favour of retaining the under fives within the 'do not install' category. Evidence provided included, as with over 85s, medical journals and research highlighting the level and longevity of detriment that young children can suffer, and live examples of where families with under fives in the household have experienced significant detriment due to having a PPM installed.

6.9 Respondents all noted that they believe that no child should face the level of lifelong harm that regular and extended disconnection can cause. The views of medical professionals were considered in these responses, with respondents referencing that medical opinions which support the protection of households with under fives should be taken seriously. Some respondents, whilst not able to provide evidence, felt strongly that households with under fives should be protected as a matter of principle.

6.10 Some also highlighted the Priority Services Register (PSR) needs code as being worded children five and under.

6.11 Other respondents were also unanimously in favour of retaining the under fives. Some of these respondents also cited medical evidence linking cold indoor temperatures with health problems for children under five, supporting their view.

Consumers

6.12 97% of the consumers that responded to the consultation via the 38 Degree campaign agreed that households with children under five should be protected from Involuntary PPM.[13]

Suppliers

6.13 Suppliers had a mixed response to this question. Almost all were opposed to moving the under fives to 'do not install' citing that they do not support age on its own as a defining factor when considering whether a PPM is safe and reasonably practicable. Some commented that retaining the under fives would risk stifling smart PPM innovation and undermine incentives on suppliers to develop such products. Some also commented that there will be examples of families with under fives where a PPM would be a reasonable method of payment and in some cases would be beneficial and, therefore, banning PPMs entirely for this category would negatively impact these families.

6.14 One supplier supported moving households with children under fives in 'do not install'. However, they noted the category should be defined as "under the age of six" (ie ages five and under). Others, while opposed, recognised the view of experts such as medical professionals that Ofgem has consulted. However, they remained of the view that age should not be defining factor, when supplier assessments should be trusted to offer the appropriate support for households.

[13] See annex for some caveats to this %

7. Costs and benefits

Question

Q5. Can you provide any further evidence on the potential costs and benefits of our proposal?

Summary of responses and decisions

Bad debt and operational costs

7.1 Some suppliers and a trade body included comments on the cost of implementing the Code and any changes to licence, with a particular focus on expected increases in bad debt and operational costs. Their comments focused on our decision to not include price cap uplifts in either of these areas to date and that their commitment to the voluntary Code was on the condition that suppliers would be able to recover these costs.

7.2 We have always recognised that the rules in the Code could result in fewer PPM installations and combined with the moratorium, contribute to higher levels of bad debt. We committed to further assess the bad debt levels and costs to serve, and adjusting that allowance if we thought necessary in light of the evidence.

7.3 We have set out below our position in more detail and will continue to closely monitor and review the impacts of the Code and subsequent licence changes, both on protections for the vulnerable and on price cap allowances. We will consult on adjusting the rules and allowances if the intended outcomes are not being realised.

Bad debt

7.4 As noted in Chapter 1, in our update letter on 28 June 2023 we confirmed that given the evidence received up to that point, we considered there was not a material or systematic gap between the allowance within the price cap for debt-related costs (including bad debt) and actual costs.

7.5 We also confirmed, however, that we intended to continue to review and monitor debt-related costs, including in relation to the impact of the steps we are taking on Involuntary PPM, wider affordability pressures and the changes to government support, such as the Energy Price Guarantee (EPG) and Energy Bill Support Scheme (EBSS). We expect to provide the next quarterly update on this workstream in early Autumn 2023 and continue to welcome engagement from all stakeholders on this issue.

7.6 As part of this review, we have also considered whether a supplier specific, non-price cap, method of bad debt recovery is feasible and in consumers' interests. We have not identified a feasible or appropriate mechanism, or consensus of views, on a non-price cap recovery mechanism; we also note the lack of evidence above as to the need, or consumer benefits from introducing a non-price cap mechanism for supplier cost recovery.[14]

7.7 Alongside our June update letter on wider debt related costs, we consulted on reflecting the anticipated increased costs of bad debt associated with Additional Support Credit (ASC) given to PPM customers. As part of this, we considered there were factors likely to increase ASC issuance and the overall level of ASC bad debt. One of these factors was the requirement in this decision that repayable credit is to be added to the meters of consumers who are subject to an Involuntary PPM.[15] We published our decision on 25 August and the specific allowance will be in the cap for 12 months initially from 1 October 2023.

Operating costs

7.8 We are reviewing whether changes to the allowances are appropriate and if the allowances still reflect the efficient costs a notional efficient supplier may incur. We are currently analysing evidence gathered via a call for input launched in May 2023, and data collection as part of a Request for Information (RFI). We expect to consult on this in spring 2024.

7.9 This review is ongoing, and we will consider suppliers' data submissions as part of the analysis. We recommend suppliers continue to engage with this consultation process, providing up to date, accurate data submissions and forecasts where possible – this will ensure we can make a decision that reflects any change to efficient operating costs as demonstrated by suppliers.

7.10 Whilst precise figures are currently unknown, we are satisfied this is the right decision and way forward in the wide range of bad debt and OPEX scenarios.

Impact Assessment

7.11 Suppliers also provided comments on the Impact Assessment (IA) included in the statutory consultation. Concerns raised included:

[14] Price cap – Update on debt-related costs review | Ofgem

[15] This is defined as 'Involuntary PPM Credit' but for the purpose of our ASC bad debt decision (25 August), we considered it reasonable and appropriate to regard this requirement, in practice, as ASC, given the purpose and nature of the payment. It therefore formed part of our overall assessment of ASC levels in our ASC bad debt consultation and decision.

- Debt trends, data used and assumptions;
- Working capital impact and moratorium impact;
- Overstated benefits; and
- Not accounting for the role of government schemes.

Debt trends

7.12 We acknowledge there is uncertainty about the evolution of the market and it is difficult to forecast bad debt levels. In our IA, we do not make assumptions about this. However, our calculations are based on the latest price cap period. Whilst we assume a decline in bad debt in line with energy prices, the overall level of debt is still high, and it does not reflect a return to trend.

7.13 There is a wide range in the potential outcomes resulting from our scenarios and sensitivity analysis. Our position that the lower end of the range is most likely is based on the fact that this is supported by historical behaviour. We agree there could be large behavioural changes, especially under the unlikely scenario of a sustained energy crisis, however, given the large potential benefits for vulnerable consumers, our analysis supports implementation even if we chose estimates towards the high range.

7.14 The behaviour of customers in the water sector is a good indication of how consumers behave in relation to utility bills. Energy bills are clearly larger, and this is reflected in the use of the price elasticity in combination with increases in bill size. The forecast of debt using this technique was reasonably accurate when compared to actual data, so we think this is an acceptable approach. We agree that future behaviour is difficult to forecast so we created additional scenarios increasing the propensity by a significant amount.

7.15 We agree that different suppliers could face different costs related to debt. This would also happen under the counterfactual too. The use of a notional supplier can be challenging for some suppliers, but we do not contemplate an alternative to this as it would increase complexity and could generate perverse incentives. As we said above, we have not identified a feasible non-price cap method of bad debt recovery. Other mechanisms to recover bad debt are outside the scope of the IA.

Working capital and moratorium costs

7.16 We agree there is uncertainty and will be monitoring any general financeability challenges. The reason we have not included working capital cost is that the range of possible debt cost is quite wide and uncertain. We have considered whether working capital calculations would change the outcomes of the IA and are confident that they would not make a material difference because the range of working capital costs associated with bad debt is significantly below benefits. This would be a small percentage of all cost and the calculations of the Benefit Cost Ration ranges from 2:1 to 6:1.

7.17 The data used to assess the impact of the moratorium is the best estimate at the time. We haven't seen any evidence to review initial estimates.

Overstated benefits

7.18 We disagree with the view that we overestimated the benefits. The large benefits from this policy are supported by a wealth of economic studies into fuel poverty and the impact of warm houses in health. We have approached the analysis using two different methods. In a bottom-up method, we assume the customer never pays (but the analysis only covers one year). However, in the top-down method (our preferred approach) our counterfactual is the historical evolution of bad debt without policy intervention. It does not rely on any assumption about the repayment pattern of any individual.

7.19 The amount of self-disconnection is based on historical data from smart meter readings. We have provided scenarios and ranges reflecting the inherent uncertainty of future levels of disconnection. In general, we think that benefits are understated given the wide range of benefits that could not be quantified.

Government schemes

7.20 Our calculations are based not in the price cap but in the price faced by consumers including all the support schemes. The Energy Bill Support Scheme (EBSS) ended in March 2023 and this is reflected in our forecast for the period April 2023 – March 2024. We acknowledge it will be very difficult to identify behavioural changes beyond March 2024 so monitoring and review will be a key activity for Ofgem.

Revision of IA inputs

7.21 Since we published the consultation, we have revised the inputs to the IA (full details are in the revised IA in annex 2). This has included increasing the number of households with children aged five and under using data from the Office for National Statistics, and transferring households with children under two and over 75 from the 'further assessment needed' group to the 'do not install' group. We have therefore revised our assessment of bad debt in a central scenario from £3-£14 per household to £4-£16 per household.

8. Other key points

SLCs vs guidance

8.1 Whilst all stakeholders agreed with our proposals to split the Code across SLCs and PPM Guidance, some suppliers questioned the meaning of 'have regard to' guidance in SLC 28.4 and 'must comply' with guidance in 28.8. Further, some suppliers also questioned the level of obligation setting within the PPM Guidance as opposed to being in SLCs.

8.2 We recognise that suppliers are currently required to have regard to the PPM guidance when determining whether installation would be safe and reasonably practicable. We also recognise that under both the voluntary rules and these new obligations, there are some categories where it will never be safe and reasonably practicable to install a PPM. There are others where a case-by-case assessment will still need to be made, to ensure suppliers satisfy themselves that PPM installation is safe and reasonably practicable.

8.3 We have decided to **amend the wording in SLCs to 'must comply with'** the guidance to ensure that there can be no question on our expectations of suppliers in complying with PPM Guidance and safe and reasonably practicable assessments and associated processes.

8.4 Further, we have amended the wording in SLC 28.4 to provide a clear requirement that demonstrates that we will consult on any future revisions of the Guidance. Detail of our consultation process can be found here: [Ofgem's consultation policy | Ofgem].

8.5 Finally, we have reviewed the PPM Guidance to clarify areas that set obligations and have made minor amendments to proposed SLCs, to ensure that all obligations from SLCs are clear. This includes moving all of the definitions from Guidance to SLCs as suggested by respondents to the consultation.

Meter and fuel types

8.6 Some suppliers argued that when conducting safe and reasonably practicable assessments for PPM, that consideration should be given to the type of meter (smart/traditional) and to fuel type (gas/electricity).

8.7 For smart meters, suppliers noted that they offer potential for greater support to customers, and that some of the challenges evidenced in the statutory consultation, such as distance to top up shop and feelings of embarrassment felt by some customers were only applicable to traditional meters. Further, they wanted us to go further to set clear obligations that smart meters must be installed for every Involuntary PPM, only unless technically infeasible to do so.

8.8 For fuel type, suppliers considered that electricity and gas PPM have different criteria which may prevent them from being safe and reasonably practicable. For example, there may be circumstances where gas PPM may be considered safe and reasonably practicable, but electricity PPM would not, such as if the customer was reliant on powered medical equipment.

8.9 We have considered suppliers' feedback and remain of the view that **protections should apply equally for all meter and fuel types**. Separate assessments would make the obligations, processes and customer experience unduly complex. We note that gas central heating and boilers require electricity to run. We also consider that suppliers have not fully considered the impact on customers for either case, and have provided some examples to support our decision below:

- A smart PPM customer may still have to visit a top up shop if they can only top up via cash, or in the event of technical failure of the smart PPM: In these circumstances, distance and ability to get to a top up shop, along with other challenges that a customer may face as a result, remains a key consideration for safe and reasonably practicable assessments.
- A customer who relies on electricity for medical equipment is likely to have other detriment factors that must be considered, such as lower or poor mobility that also creates a reliance on a warm home to ensure wellbeing. Where a customer has a condition that makes one fuel not safe and reasonably practicable for PPM, it is likely to be highly questionable if it would be for the other. We do not consider that as electricity can also be used to heat a customer's home, that this, often more expensive option be forced on them in the event of gas PPM self-disconnection.

Five-year document retention

8.10 Some suppliers have questioned our proposal to amend the retention period agreed to in the Code. In signing up to the Code, suppliers agreed to retain documentation, including audio or camera footage of site welfare visits for two years, however there was also a recommendation that this be retained for five years.

8.11 In the statutory consultation published in June 2023, we set out the reasoning for our proposed change: "Retention of customer records is an important requirement to ensure that in instances of any customer complaints, a supplier has retained the information to appropriately assess a complaint. Further, in instances of any investigative actions taken, suppliers should be able to produce evidence to demonstrate compliance with obligations.[16]"

8.12 Whilst we recognise, for some suppliers, this may increase operational costs, which we address in the section above, the reasoning behind our decision remains. We have decided to **proceed with the five-year retention period** as set out in our consultation. It will be retained, with specific focus for Involuntary PPM, within the PPM Guidance (Safe and reasonably practicable).

8.13 Further, due to what we consider to be an important element of suppliers' demonstration of compliance in relation to all relevant customer facing document retention, we will in the future, consult to include a broader suite of retention requirements within the SLCs.

8.14 Separately, suppliers have questioned operationalising document retention procedures alongside GDPR regulations. It is for suppliers to ensure their own compliance with GDPR and we are not aware of anything in this decision which would prevent them from doing so.

Summary of responses

The below table summarises the other key points made in consultation responses and sets out our position and clarification where necessary.

SLCs

	Suggestion	**Outcome**	**Ofgem position**
1	SLC 27A.7A Involuntary PPM credit should also include an option for 'equivalent non-disconnection period'	SLC change	We have amended the definition of Involuntary PPM Credit to include 'equivalent non-disconnection period'. We recognise that this may be more suitable in some cases. However, any build-up of charges due to customer consumption relating to the non-disconnection period must not exceed that of the credit amount specified in guidance, to

[16] Penalty contravention time period EA1989: S27C and GA1986 S30C; Production of documents EA1989 S28(2) and GA1986 S38

	Suggestion	Outcome	Ofgem position
			ensure consistency with customer experiences.
2	SLC 27A.9 Involuntary PPM Credit being provided automatically insinuates that there should be an automated process	No change – clarification provided	The intent behind “automatically” in this provision is to ensure that the credit is applied on installation. Suppliers are free to use manual processes where the situation may require.
3	SLC 28.2 & 28.3 Have been expanded to include where a customer requests, is offered, uses and has Involuntary PPM installed. Created duplication and creates inconsistency with intent.	SLC change	We have removed the wording “requests, is offered or” We recognise this created unintended consequences and inconsistency with the requirement.
4	SLC 28.4 Doesn’t allow for exemption for theft or meter tampering	No change – clarification provided	Involuntary PPM definition is clear that this is ‘for debt’
5	SLC 28.4 Inclusion of “at all times” creates unintended	SLC change	Removed “at all times”

	Suggestion	Outcome	Ofgem position
	consequence that guidance applies at all times, even when not considering PPM/Involuntary PPM		
6	SLC 28.7(e) Include "all reasonable steps" to checks for PSR	No change – clarification provided	The intent here is to ensure that more than just whether the customer is registered on the PSR already is checked. We consider including 'all reasonable steps' could undermine the intent and create inconsistency in suppliers' assessments of vulnerability
7	SLC 28.8(a) Clarification on information that must be accepted SLC 28.9(b) Clarification of person legally entitled to act	Clarification SLC change	Section 5.5 of PPM Guidance clarifies that this is any information relevant to the subject matter. We have amended the SLC to a person or organisation authorised to act on a customer's behalf. This is also clarified in more detail in PPM Guidance section 5.5
8	SLC 28.10 Exercising a warrant restricted to household trauma	Clarification request	We consider that any member of the household present at the point of warrant execution may be at risk of finding the experience severely traumatic. Suppliers must ensure that any member of the household who is home at the point of entry should not have a vulnerability which would be made significantly worse by the

	Suggestion	Outcome	Ofgem position
			experience and be able to handle the conversation.
9	SLC 28.15 changes to Proportionality Principle creates limitations of what suppliers can recover. Considered that change has not been consulted on.	SLC change	We recognise that this proposal within the consultation extended beyond our intention. We have amended the SLC to remove the text in question.
10	SLC 28.21 (b) Remove reference to notice under 23.8B, notices issued may differ	SLC change	We have amended the SLC to reference SLC 23, which holds all notice requirements and will therefore align with the notice suppliers provide accordingly.
11	SLC 28.21 (b) Failure to comply with other payment methods	SLC change	We have amended the SLC drafting to "licensee has made attempts to offer alternative repayment methods" to account for instances where there may be no engagement with the customer. Suppliers should ensure that this offer is clear that the customer has alternative choices that can be discussed.
12	SLC 28.22 Some definitions listed in guidance rather than SLCs	SLC change	Definitions have been moved into SLCs from guidance, with the exception of Welfare Officer and Edge Case, which have been retained in the guidance.

	Suggestion	Outcome	Ofgem position
13	Debt trigger	Drafting change – SLC	Wording for Debt Trigger has been amended to align with definition format. 'or' has been changed to 'and' to ensure that Involuntary PPM can only be triggered if the debt has been outstanding for at least three months and the amount is at least £200 per fuel. We do not envisage three months elapsing without debt amount exceeding £200 however consider that progressing with Involuntary PPM for £200 before the three-month period has elapsed would be premature and disproportionate. We have retained the level of debt within PPM Guidance and may amend this should the desired outcomes not be realised.

PPM Guidance			
	Suggestion	Outcome	Ofgem position
1	1.1 Guidance unintentionally exceeds the policy intent of the protections to any instance of PPM	No change – clarification provided	The PPM Guidance (S&RP) is intended to apply to all circumstances where a customer asks for or is offered a PPM. Involuntary PPM protections have been explicitly labelled to demonstrate the extra care that should be taken in these cases. However, suppliers must assess whether a PPM is safe and reasonably practicable in all circumstances of the case. Should the supplier deem a PPM to not be S&RP when a customer has requested, customer choice may prevail, but the supplier must satisfy themselves in cases where the customer requests, that the customer understands and accepts the potential risks. This includes in cases of non-direct request (ie Price Comparison Website (PCW) switch)
2	Replication of debt recovery text in 3.3 & 6.4	Guidance change actioned	Removal of text in 3.3: "Any alternative actions taken to recover debt in instances where a PPM is not suitable for the household should be fair reasonable and appropriate for the customers circumstances and level of debt owed" We consider this is covered by SLC 0 and SLC 28.15, but have retained the requirement in 6.4 to reinforce the message that where PPM is not appropriate, any other actions taken to recover debt should be fair and proportionate.

PPM Guidance			
	Suggestion	Outcome	Ofgem position
3	3.4 Gas and Electricity meters should be assessed independently – protections should not apply equally	No change – however will be kept under review	We consider that protections should be applied equally. See more detail above (6.6-6.9)
4	3.8 Suggest powered equipment be specified as 'electrical'	No change	We don't consider a need to specify power source. See more detail above (6.6-6.9)
5	3.8 Serious mental and developmental health conditions should move to 'do not install'	No change – however will be kept under review	Whilst we recognise that there are risks of detriment to customers within these categories, in particular if there is no other support in the household, there is a broad range of severity and complexity in defining and identifying these customers. We consider that case by case assessment of these customers remains the right approach for protection. Further, moving this group to 'do not install' may also increase the risk of unintended consequences – there is likely to be a higher level of evidence expected to support the customer's claims.
6	3.8 Move COPD into 'do not install'	Guidance change actioned	This was an unintentional oversight that split grouped conditions across the two categories. We have amended this to include COPD (such as emphysema and chronic bronchitis) in 'do not install'.

PPM Guidance			
	Suggestion	Outcome	Ofgem position
7	3.10 Revert to suppliers are encouraged to consider whether Involuntary PPM installation is S&RP for <16 & 65>	Guidance change actioned	This was an unintentional consequence of wording consistency. We have amended this to read "are encouraged"
8	3.12 Financial Vulnerability isn't always a reason to not install a PPM. Precautionary Principle should be removed.	No change	Financial vulnerability and keeping customers on supply in order to avoid suffering detriment is a clear reason to include the Precautionary Principle.
9	3.14 Further guidance on "proceed at supplier own discretion"	No change – clarification provided	Where suppliers have completed all actions to identify and assess but have been unable to establish with certainty the level of detriment, it is at the supplier's own risk to proceed with Involuntary PPM. We do not consider further guidance is required.
7	4.1 Inconsistency with wording and therefore expectations	Guidance change actioned	Requirements changed to table layout to indicate which would be most appropriate for each method of PPM check.

PPM Guidance			
	Suggestion	Outcome	Ofgem position
11	5.2 Clarification on timetable for contact attempts	No change – clarification provided	Period of time for contact should begin at the point of written demand for payment from supplier and following contacts should span over the course of three months. Extending the expected period of contact beyond this creates unintended consequences including lessening the incentive for customers to engage and set up a payment plan and lead to unsustainable build-up of debt.
12	5.4 Include 'credible partnered and non-partnered' support organisations	No change	Including the terms partnered and non-partnered does not add anything to the requirement. We consider that including 'credible' creates unintended consequences for smaller support organisations to provide consumer advocacy support.
13	5.14 Clarify expectations of senior member of staff	Clarification	Does not link to SLC 4C – expectation is not of someone of Significant Managerial Responsibility or Influence. More aligned with SLC 13 and that the person is a fit and proper person to visit and enter the customer's premises.
14	7.1 Should have an obligation to install a smart meter for Involuntary PPM	No change – clarification provided	Smart meter rollout is DESNZ's policy remit – we recognise the real benefits of smart as well as the importance of customers ultimately being able to refuse a smart meter.

PPM Guidance			
	Suggestion	Outcome	Ofgem position
15	9.1 Duplication across 10.4 & 10.5	Guidance Change actioned	We agree that 10.4 and 10.5 create duplicative messaging with 9.1 & 9.2. We have therefore amended the guidance for section 9 to be aligned with 10.4 & 10.5, and removed these sections from section 10.
16	10.2 broken should be referred to as faulty	Guidance change actioned	We agree that broken has different meaning to faulty – wording has been changed back to faulty.

Appendices

Index

Appendix 1 – 38 Degree campaign responses

Overview

A1.1 38 Degrees is a petition organisation who offer people powered campaigning. *"38 Degrees is a community of more than a million people who – in a moment away from their busy days – take small actions on issues they care about, which all add up to something bigger, a movement for a better Britain for everyone who calls our country home."*

A1.2 The campaign itself calls for Ofgem to protect all households from forced prepayment. "*No one should be forced onto a prepayment meter against their will. Yet nothing has changed to give us any confidence there won't be a repeat of the prepayment meter scandal again next winter. Energy suppliers are still threatening customers with entering their homes to fit a prepayment meter – and energy regulator Ofgem isn't taking this seriously enough, its new proposals would only cover protections to people over 85! That's not good enough. Fixing this couldn't be more urgent. 3.2 million people were disconnected from their energy supply at some point last year because they ran out of credit on their prepayment meter. With energy prices at sky-high levels, many families still run the risk of 'self-disconnection' – losing access to heating and electricity in their homes. We know energy companies can't be trusted to self-regulate, so Ofgem must do its job properly and protect ALL households from the forced installation of prepayment meters.*"

A1.3 The petition campaign has gained around 44,000 signatures, who were then prompted to respond to a questionnaire which created an automated email into the consultation response inbox. We received a total of 20,340 emails (once exact duplicates had been removed) and 19,302 unique responses (some customers responded more than once – the response with the greatest number of answered questions was retained).

A1.4 The questions asked by 38 Degrees to signatories replicated the questions asked in the statutory consultation:[17]

Q1. Ofgem is proposing new protections (the "Code") that would prevent energy companies forcing over 85s, for example, onto prepayment meters. Do you agree that

[17] We note that signatories and respondents to the email are unlikely to have read the Code of Practice or the statutory consultation in full, and therefore may not be fully aware of the suite of protections proposed.

new protections are needed, so Ofgem should introduce these changes to how energy companies operate?

In the consultation, Ofgem has asked 'Do you agree with our proposals to integrate the Code into the supply licences?'

Q2. Do you think energy suppliers should be able to force-fit prepayment meters in households with people who are over 85?

In the consultation, Ofgem has asked 'Can you provide evidence on whether we should retain the 'over 85s' in the 'do not install' category?'

Q3. Do you think energy suppliers should be able to force-fit prepayment meters in households with children who are under 5?

In the consultation, Ofgem asks 'Can you provide evidence on whether we should include children under the age of 5 in the 'do not install' category?'

Q4. Ofgem is only considering introducing protections for these two groups (over 85s and under 5s). Do you think the regulator should go further and make sure all households are protected from forced prepayment meter installations?

Free text: If you believe ALL households should be protected, please describe below why you think Ofgem should go further in protecting households from forced prepayment meter installations.

Additional analysis

A1.5 Our analysis of the unique responses returns the same overall results as the analysis provided by 38 degrees:

- 97% agreed that Ofgem should integrate the Code into licences.
- 97% agreed that over 85s should be protected.
- 97% agreed that households with children under five should be protected and
- 95% agreed that all households should be protected.

A1.6 Further analysis of the results, in particular for the over 85s and five and under demonstrated that there were differences in reasoning for disagreeing with protections.

Question responses	Reasoning	Group size
Q2: Disagree *Q3: Disagree* *Q4: Disagree*	This group believes no protection should be offered to anyone.	Group Size: **34** Survey Population: **0.2%**
Q2: Disagree *Q3: Agree* *Q4: Disagree* Or *Q2: Agree* *Q3: Disagree* *Q4: Disagree*	This group believes either the elderly or the young should be protected but not both. They also believe that protection shouldn't be offered to everyone.	Group Size: **76** Survey Population: **0.4%**
Q2: Disagree *Q3: Disagree* *Q4: Agree*	This group believes everyone should be protected, but also disagreed to protecting the young and elderly. They likely put disagree to this because they believe in protecting everyone.	Group Size: **203** Survey Population: **1.1%**
Q2: Disagree *Q3: Agree* *Q4: Agree* Or *Q2: Agree* *Q3: Disagree* *Q4: Agree*	This group believes either the elderly or the young should be protected but not both. However, they also stated in Q4 that everyone should be protected. Reading the free text, it becomes clearer that this group believes everyone should be protected and they disagreed with Q2 or Q3 out of error or because they do not believe individual groups should be singled out.	Group Size: **533** Survey Population: **2.8%**

A1.7 Therefore, a group of 736 respondents disagreed with protecting elderly or young specifically because they believe everyone should be protected.

A1.8 Further analysis completed on sentiment and emotion of free text responses indicated that many people demonstrated feelings of anger, disgust and fear. Examples of some of the comments can be seen below.

As a severely disabled person who is registered as a vulnerable person with my energy supplier, I am terrified that being forced on to a prepayment meter would **adversely affect my health.**

Q1: ✔ Q2: ✔ Q3: ✔ Q4: ✔

😨 100% Fearful

I find it scary that an electric company can force entry into someone's house without legal permission when even bailiffs can't do that. Q1: ✔ Q2: ✔ Q3: ✔ Q4: ✔

😨 93% Fear

I think it is outrageous to force anybody to have prepayment meters - **you are forcing them to pay upfront and to pay at a higher rate!** And they are the poorest people in society!

Q1: ✔ Q2: ✔ Q3: ✔ Q4: ✔

😠 98% Angry

All consumers should be protected as no one should be forced to have a prepayment meter. I believe that everyone has a right to choose and **I would be extremely angry if I was made to have such a meter.** I think that any forcing without the right to choose is an abuse of power.

Q1: ✔ Q2: ✔ Q3: ✔ Q4: ✔

😠 98% Angry

Ofgem should be protecting consumers over the greed of energy companies who make massive profits when the nation is struggling to function normally. **Forcing PPM's on the vulnerable will only cause further suffering**, angering the public to a point of no return, inc. detriment to mental health which will load the NHS with more patients. Q1: ✔ Q2: ✔ Q3: ✔ Q4: ✔

😠 98% Angry

Consumers should be protected at all costs. Energy companies are ruthless as they put profit before people. They should start putting their efforts in to getting people's bills correct in the first place! Q1: ✔ Q2: ✔ Q3: ✔ Q4: ✔

😠 92% Angry

I think PPM's may be a solution in certain circumstances, however, there is no reason that the cost of energy on PPM's should not be kept to a minimum, and this should be a condition of their use Q1: ✓ Q2: ✓ Q3: ✓ Q4: ✗

87% Neutral

Sadly, **forced prepayment meters are being installed for those who have the lowest income** and are the poorest in our society. The cost to these customers is higher than for any other customers, this cannot be allowed to go ahead. Q1: ✗ Q2: ✓ Q3: ✓ Q4: ✓

92% Sadness

To force the poorest to pay more for essential services is **immoral and bordering on the criminal.** It is a society's duty to take care of its most vulnerable members.

Q1: ✓ Q2: ✓ Q3: ✓ Q4: ✓

90% Angry

Forced PPM's should only be fitted after a thorough due process, and no other alternatives possible, Courts should then authorise each forced installation.

Q1: ✓ Q2: ✓ Q3: ✓ Q4: ✗

People who repeatedly fail to pay bills should be excluded otherwise they are protected and will continue not to pay until they are threatened with disconnection. **A blanket approach to this problem is not the answer.** It needs to be fine-tuned to include the vulnerable but exclude those who will deliberately flaunt the rules Q1: ✓ Q2: ✗ Q3: ✗ Q4: ✓

55% Angry

A lot of people are having a frightening time just to pay their bills - some people are going without food - food banks are frantically busy - no-one should be put under this kind of pressure from energy suppliers - **it is inhumane** Q1: ✓ Q2: ✓ Q3: ✓ Q4: ✓

93% Fear

Ofgem should act in the interests of the public, not profit-making companies. **People before profit!** Q1: ✓ Q2: ✓ Q3: ✓ Q4: ✓

94% Angry

Appendix 2 – Updated Impact Assessment (IA)

A2.1 During the consultation we asked for additional evidence on the impacts of our proposals. Responses reflected the varied views across different stakeholders. These responses have been reviewed in chapter 2. There was little additional evidence provided in relation to the IA. However, in response to the feedback provided, we are making some policy changes and updating some of the inputs in the light of additional information. These changes are:

- Moving **over 75s** with no other support in the household into the 'do not install' category.
- Moving households with **children under two** in the 'do not install' category.
- Updating some of the inputs, increasing the number of families with children under the age of five and two, using new ONS data.
- Updating the assessment of administrative cost to reflect the additional cost of keeping camera footage from installations.

A2.2 Increasing the number of households with children under the age of five and two increases the potential bad debt but also the benefits of the policy. Moving certain age groups to the 'do not install' category is mostly a transfer; and cost and benefits tend to cancel out from the 'further assessment needed' category to the 'do not install'. Apart from these changes, the structure and the conclusions from our IA remain the same, and the new figures reflect changes in the values of summary tables but not in the conclusions.

Rationale

What is the problem under consideration? Why is Ofgem intervention necessary?

A2.3 Suppliers have important obligations to follow in how and when they move customers to PPMs. These obligations are part of the supply licence and are there to protect customers, especially those who are vulnerable.

A2.4 Despite the obligations, there have been continued reports of suppliers not going far enough to identify, support and protect customers in vulnerable circumstances. The reports included cases of vulnerable customers being involuntarily moved onto PPMs, where it does not appear to be safe and reasonably practicable.

A2.5 Self-disconnection is likely to be more prevalent among customers who are faced with being involuntarily moved onto PPMs as they are already in debt to their energy supplier. Self-disconnection can be particularly detrimental for some customers in vulnerable circumstances where their health and wellbeing could get significantly worse by living without gas or electricity.

A2.6 Ofgem's principal objective is to protect the interests of existing and future customers and we must have particular regard to vulnerabilities, such as those on low incomes, pensioners, disabled and those living in rural areas. Given the poor practices reported and the detriment caused to some vulnerable customers, we have developed this assessment of the potential impact of our proposed changes to help inform our decision-making and are publishing the outcomes now for comment and feedback.

What are the policy objectives and intended effects including the effect on Ofgem's Strategic Outcomes

A2.7 By integrating elements of the Code into the existing rules, our intent is to ensure our rules provide a robust foundation for a market where no customers are put onto PPM if that is not safe and reasonably practicable for them, and where suppliers consistently protect their vulnerable customers.

A2.8 Strengthening the existing rules would also contribute to multiple Ofgem objectives and priorities. We want to see vulnerable customers treated with the same level of care regardless of which supplier they have and a consequent reduction in the pressure on consumer groups and charities for advice and help.

What are the policy options that have been considered, including any alternatives to regulation? Please justify the preferred option

A2.9 When assessing how to respond to the Involuntary PPM issue illustrated above, we identified three main options:

- Option 1: Doing nothing except monitoring and enforcing existing rules.
- Option 2: Bringing Code provisions into licence and guidance (plus monitor and enforce existing rules).
- Option 3: A full ban on Involuntary PPM for all consumers, though noting we do not have the powers to introduce a ban.

A2.10 In Option 1, the counterfactual, we do not expect to see additional protections for some vulnerable customers and therefore assume that those customers will continue to self-disconnect and face detrimental physical and emotional impact. We assume that bad debt will continue in line with current trends and that admin costs (legal costs, site visits, setting payment plans, etc) will remain the same.

A2.11 We consider Option 2 to be the preferred alternative. As mentioned in the letter sent to the Secretary of State on the 24th of January 2023, in 2022 we conducted a

Market Compliance Review (MCR) into suppliers' governance and processes on how they treat Customers in Payment Difficulty and into Vulnerability. Despite these actions, there have been continued reports of suppliers not going far enough to support and protect consumers in vulnerable circumstances. Moreover, some stakeholders who responded to the Call for Evidence on Involuntary PPM practices said that the existing regulations should be reviewed.

A2.12 Option 2 is where we have launched and concluded the PPM MCR and enforcement investigations concurrently with the policy interventions, reducing the chances of further customer detriment in the near and long term.

A2.13 This option does not preclude further work if the MCR and other investigations suggest it would be appropriate, or other evidence comes to light. It also does not exclude the option for government to ban PPM altogether (Option 3).

A2.14 In respect of Option 3, Ofgem does not have the powers to ban Involuntary PPM, which would require legislative changes. However, we consider it is appropriate to consider the impact of a full ban to compare against Option 2. At this stage, our review suggests that Option 3 would entail significant administrative costs as well as an increase in bad debt. It would also force suppliers to use alternative debt collection methods such as bailiffs much more extensively. We consider this would be a worse outcome for consumers. Additionally, we are unsure whether a ban would provide significant benefits to suppliers and customers since PPMs can be beneficial for both when used as we intend (see chapter 2 for more details on the benefits of PPM). This conclusion is drawn in light of the findings of this IA, but we will consider further engagement if required.

Overall conclusions

A2.15 Our cost benefit analysis supports the implementation of the Code into licence and guidance for 'do not install' and 'further assessment needed' consumers. We modelled several policy options, covering different methodologies and assumptions about future debt cost and the behaviour of consumers in response to our proposals. Although there is a wide range of possible outcomes, in most circumstances the benefits exceed the cost by a considerable margin.

A2.16 Our analysis shows a wide range of benefits associated with restricting Involuntary PPM for vulnerable consumers. Some benefits are quantified, such as the value of reduced self-disconnection and the value of reduced winter deaths.

A2.17 The costs of this policy are mainly associated with a transfer between different consumers to cover the additional cost of a potential increase in the level of bad debt.

This transfer takes place as a result of potential increases in the prices charged by suppliers to cover for bad debt, including the costs included in setting the price cap. This does not mean all suppliers will recover all their additional costs, as these costs will be based on estimates of efficient cost incurred by a notional supplier. This could mean that there will be a smaller increase in bad debt costs passed to consumers, if some of any increase in bad debt is concluded to be incurred inefficiently. There is also a resource cost associated with additional admin burdens on energy suppliers, although we expect this to be relatively modest compared to existing administrative costs and other operating costs.

A2.18 Noting that the generality of consumers will have to pay for any additional bad debt costs, we have treated the transfer of bad debt between customers as a cost in order to calculate a Benefit Cost Ratio (BCR). There is a positive BCR under every scenario that we have analysed. Under our preferred methodology, we think the low scenario is the most likely because it is the only one based on actual data and it has fewer assumptions about bad debt. In this scenario our estimate of the ratio of monetised benefits to costs is over 6:1. In the possible scenario, we get a BCR of 2:1. These ratios do not take into account non-quantified benefits, including on physical and psychological wellbeing, and reduced stress on vulnerable consumers. If we were to consider bad debt costs as a pure transfer between consumers the benefits would be much larger.[18] We have also identified that the use of government guidance on quantifying the health benefits from reducing self-rationing by vulnerable customers would also provide evidence in support of our preferred option.

A2.19 There is however considerable uncertainty around our estimates. It is too early to get robust estimates of the increases in bad debt and there are a number of assumptions about historical debt trends that could not be valid in future if structural conditions (such as availability of credit) in the market change.

A2.20 It is also difficult to know ex-ante the behavioural impact on consumers. If consumers' behaviour towards paying their energy bills and building up debt changed and they chose to underpay and build up more debt as a result of the removal of the risk of being placed onto a PPM, then bad debt levels could be higher than we have estimated.

A2.21 We acknowledge the limitations with the best data we have and can get at the moment. Given the severity of the harms which customers can face, particularly over the

[18] In that case we would only account for the additional energy used as a result of avoiding self-disconnection and bad debt cost would be a net zero transfer.

winter period, on balance we are satisfied that it is in their interest to make this decision now but we will keep monitoring the relevant data and keep matters under review, changing the policy in the future if we consider appropriate.

Summary of quantitative and qualitative assessment

A2.22 The following table (Table 1) sets out the scope of the analysis conducted as part of this cost-benefit analysis for Option 2 – Code implementation. The most significant impacts have been assessed quantitatively, where possible, though there remains significant uncertainty in some assumptions required for the analysis.

A2.23 In response to some of the hard-to-quantify impacts, we have provided some wide ranges in our quantified assessment, supported by qualitative research. Some of the harder aspects to quantify relate to benefits such as health, emotional distress associated with forced installations and other factors affecting well-being.

Table 1: Description of impacts for Option 2 - Code implementation

Criteria	Assessment
Costs	
Impact of bad debt on consumers (including those on PPM)	We assume costs of this policy would be passed through to consumers so an increase in bad debt would translate as a cost increase for them. Under our preferred methodology, our most likely scenario is the low scenario. This has an impact of £88m or £4 per household. Our possible scenario (central value) estimates show an impact on consumers of £354m or £16 per household. However, this is subject to a wide range.
Impact of administration costs on consumers	Our most likely estimate of administrative cost of dealing with bad debt shows an increase of £14m or £0.60 per household.
Impact of bad debt and administration costs on suppliers	Efficient bad debt and admin costs would eventually be passed to consumers through the price cap, if it led to a material and systematic deviation between efficient costs and the existing price cap allowances for debt-related costs. We cannot estimate which proportion of cost would not be covered by efficient cost in the price cap. There could be some adjustment cost and increase of working capital for suppliers. We have not quantified this cost.
Distributional impacts	The distributional impact for our high sensitivity case with an average cost of £16 per household shows a range of impacts from -£9 to -£23 depending on the consumer archetype for those households not in scope of this policy.

Criteria	Assessment
Impact of additional energy use on the environment	There would be a small negative impact of increased emissions as 'do not install' and 'further assessment needed' groups could experience an increase in energy use of up to 10%. We haven't quantified this impact.
Benefits	
Benefits for consumers in 'do not install' and 'further assessment needed' categories from additional energy use	We expect large benefits for consumers in scope of the policy as a result of no interruptions in their energy supply. Our most likely estimates show £386m and the high-sensitivity estimate shows a benefit of £795m.
Health benefits for consumers in 'do not install' and 'further assessment needed' categories	We estimate that a break even benefit of £386m could be associated with the policy if it achieved a 4% reduction in excess winter deaths.

Impact on bad debt

A2.24 This section estimates the impact of the proposals on bad debt. This is a part of debt which suppliers won't be able to recover. Historically bad debt has been stable at around 2% of annual revenues. However, given the increase in energy costs last winter, bad debt has the potential to materially affect supplier finances if these higher costs mean that more customers are unable to afford to pay their energy bills. PPMs are a straightforward mechanism for recovering debt and stopping debt from building up. So, the impact of the proposals on bad debt is a major potential effect of the proposed policy.

A2.25 There is not one optimal approach to identifying the impact of the Code proposals on bad debt. Therefore, we triangulate estimates from two different methodologies:

- 'Top-down' (preferred methodology) analysis based on forecasting future debt from April 2023 to March 2024 using regression analysis. This assumes energy customers' bad debt would evolve in a similar way to the water sector where there is no comparable means to install PPM to recover bad debt (best available data). This was complemented with two sensitivity analysis.
- 'Bottom-up' analysis identifying the number of people in scope within 'do not install' and 'further assessment needed' groups and making some assumptions about their behaviour.

A2.26 We have limited our analysis to the period covering April 2023 to March 2024. We think that there is significant uncertainty in the market beyond this period and longer projections won't add better insights on whether to implement the proposed option at this point.

Top-down analysis based on historical trends: 'most likely' scenario

A2.27 The 'most likely' scenario under the first and preferred methodology, based on historical data and regression analysis produced a low estimate with a most likely impact of the ban on 'do not install' and 'further assessment needed' consumers of £88m, or £4 per customer (Table 2). This low estimate results because we are using water sector elasticities, and historically bad debt has been relatively low in the water sector, despite the lack of an equivalent option for suppliers of installing PPMs.

A2.28 Table 2 shows the impact for Options 2 and 3 against Option 1 (the counterfactual). Within Option 2, it also shows the impact on the 'do not install' and 'further assessment needed' groups separately.

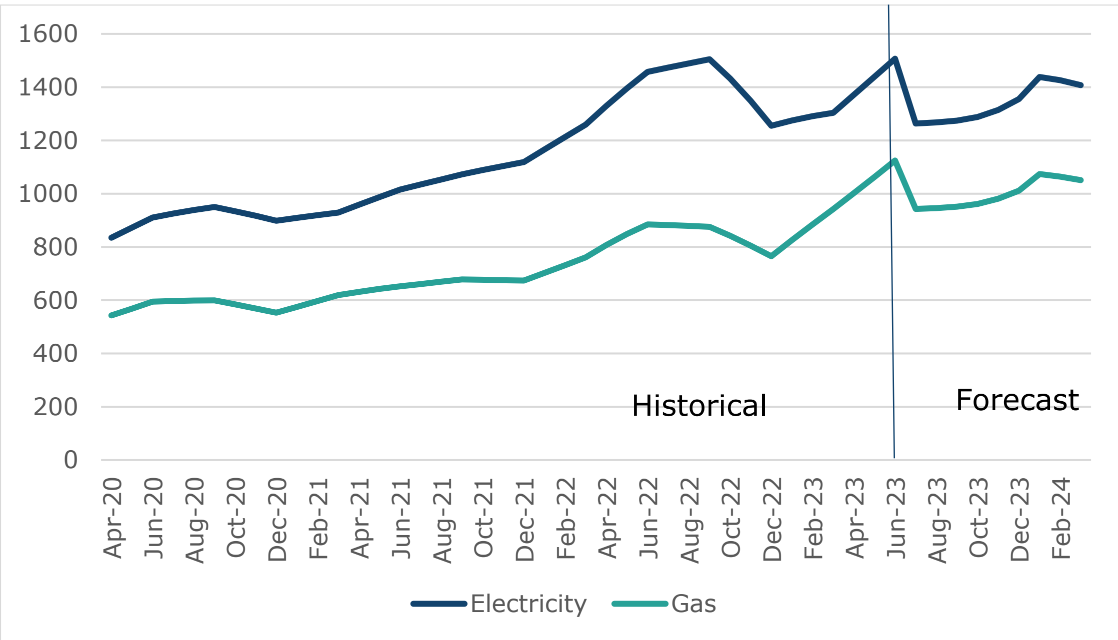
Table 2: Top-down methodology, summary of 'most likely' difference for policy options using SOR data and regression analysis no behavioural change, £m and £per household

Options		**Total Bad Debt, £m**	**Baseline, £m**	**Difference £m (£ph)**
Option 2 variation	'do not install' Only	1,122	1,072	50 (2)
Option 2 variation	'further assessment needed' Only	1,110	1,072	38 (2)
Option 2 – Code proposals	**'do not install' and 'further assessment needed'**	1,160	1,072	88 (4)
Option 3	All ban new PPM	1,544	1,072	472 (28)

A2.29 Figure A1 overleaf shows actual debt up to August 2022[19] and our forecast up to March 2024. It shows an expected increase in debt through the period of very high prices. Then we expect debt to go back to trend.

[19] Based on Ofgem's Social Obligations Reporting data up to Q1 2023.

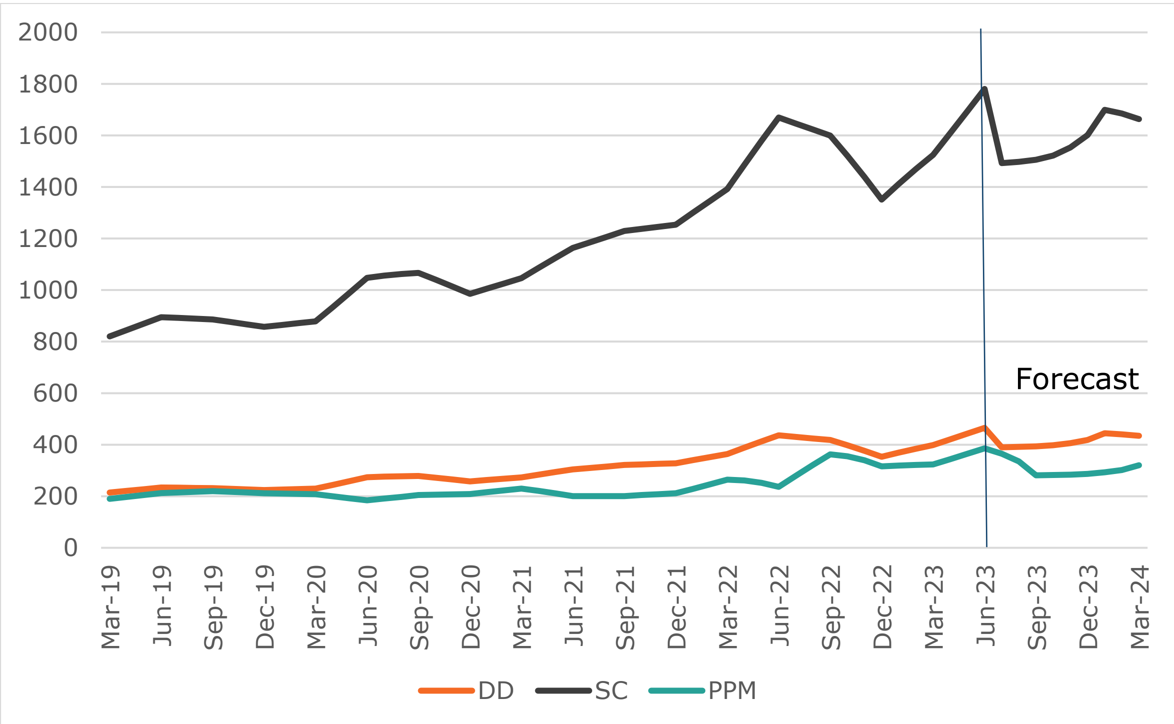
Figure A1: Debt in electricity and gas, £m per month, Jan 2019 – Mar 2024



Source: Ofgem's Social Obligations Reporting data up to Q1 2023.

A2.30 Figure A2 shows the historic and forecast levels of bad debt. Bad debt is increasing in proportion to the increase in overall debt.

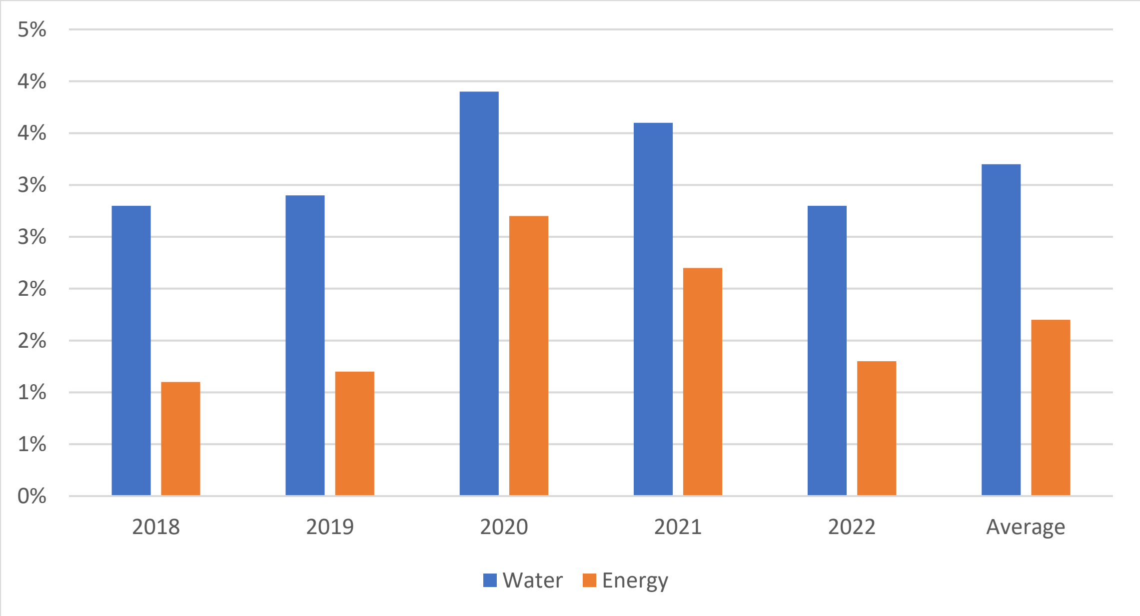
Figure A2: Standard credit and direct debit debt, £m per month, January 2020 – March 2024



Source: Ofgem's Social Obligations Reporting data up to Q1 2023.

A2.31 However, as Figure A3 shows, historically bad debt in the water and energy sectors has been a relatively low proportion of revenue: around 3% and 1.5%, respectively.

Figure A3: Average bad debt in energy and water as proportion of revenue, 2018-2022



Source: PWC. Retail Efficiency Review 2022. Report for Ofwat.

A2.32 In order to forecast debt in the period April 2023 to March 2024, we use a linear regression using bill size as the main explanatory variable. $y_t = \alpha + \beta x_t + \epsilon_t$, where y is debt and x is bill size, as set by the price cap.[20] This regression does not control for seasonal or cyclical elements in prices, so we only use it to approximate the impact over a full year (monthly figures or forecast over a longer period of time could be misleading).

A2.33 After estimating the baseline (Option 1 – do nothing), we assess the impact of Option 2 – Code proposals and Option 3- full ban. Analytically, it is easier to start by estimating the impact of a full ban on PPM installations. We do that by assuming:

- The average level of bad debt in the energy sector for those affected by the policy would be similar to the water sector (see Figure 3).
- Over time, the main driver of bad debt would be energy prices. We combine a price forecast for the price cap (including the Energy Price Guarantee for the relevant periods)[21] with the elasticity of bad debt to bill size as

[20] We adjust the price cap level to account for government support during the energy crisis.
[21] We do not include Warm Home Discount and other support as we are not using the price level but the rate of change which we assume is experienced by all consumers.

previously identified in the water sector,[22] so for every 1% increase in bills there is a 1.18% increase in bad debt.[23] We use the water sector because, except the last few months of the moratorium, we don't have a period of time in the energy sector without PPMs and so rely on evidence from a similar sector. Following analysis in the water sector,[24] we estimate the relationship between price and bad debt as follows:

$$\Delta BadDebt = \epsilon_w \Delta price$$

$$Where\ \epsilon_w\ is\ the\ average\ elasticity\ paremeter\ from\ Ofwat\ regressions$$

- To predict the response to changes in energy prices we assume that a) bad debt in groups included in the ban would change at the same rate as in the water sector where there are not PPMs. The rates modelled in the water sector before the energy crisis would represent an average year impact; b) groups not included in the ban would follow the baseline trend. Once we have a forecast of the impact of a full ban, we can adjust the impact to the different policy options choosing whether 'do not install' and 'further assessment needed' follow the baseline trend, or the trend set for the water sector.
- In order to assess 'do not install' and 'further assessment needed' impacts, we split Standard Credit and Direct Debit customers into those who would be covered by the ban and those who wouldn't. We identify the number of consumers in vulnerable categories using different sources.[25]

A2.34 Table 3 illustrates the number of households (m) that we assume would be affected within the scope of Option 2- Code proposals ('do not install' only first and 'further assessment needed' afterwards).

[22] Modelling the Propensity to Default on Payment of Water Bills. Frontier Economics. Final Report for Thames Water. October 2018

[23] We recognise that this analysis is a few years old. However, we have discussed with Ofwat and looked at the more recent data and have not identified any better evidence at this stage. As illustrated by the outcomes of the analysis, an increase in the elasticity would not change our overall assessment that the policy would bring net benefits.

[24] Modelling the Propensity to Default on Payment of Water Bills. Frontier Economics. Final Report for Thames Water. October 2018.

[25] This includes data from Ofgem's SOR, RFIs and surveys (Consumer Impacts of Market Conditions survey - Wave 3 (Nov/Dec 2022) | Ofgem.) and ONS data.

Table 3: Number of households within scope of Option 2 ('do not install' only and 'further assessment needed' only)

'customers only' assumptions [26]	**Households (m)**
Disability and health	4.09
Elderly over 85 and living alone	0.28
Children under two	1.22
Over 75s (but not 85 and alone)	1.66
'further assessment needed' assumptions[27]	**Households (m)**
Children aged five and under	1.94
Health conditions	0.65
Pregnancy	0.32
Bereavement	1.94

A2.35 We also calculate the proportion of customers in 'do not install' and 'further assessment needed' groups that would fall into each payment type, shown in Table 4.

A2.36 The proportion of these categories that fall within scope of this policy would not face Involuntary PPM installation and would therefore follow the water trend set out

[26] These numbers have been derived from a number of different sources including:
Association of Respiratory Nurses, 2017: Respiratory experts publish first quality standards for adult home oxygen use | Association of Respiratory Nurses
NHS: Dialysis | NHS
Diabetes UK: A guide to reporting on diabetes | Diabetes UK
TSA, 2017: A digital future for technology enabled care?| TSA
Sickle Cell Society: About Sickle Cell » Sickle Cell Society | Sickle Cell Society
Office for National Statistics, 2022: Suicides among people diagnosed with severe health conditions, England| Office for National Statistics
Office for National Statistics, 2022: Suicides among people diagnosed with severe health conditions, England| Office for National Statistics
[27] Data collected from different sources:
Office for National Statistics, 2022: Age by single year| Office for National Statistics
National Record of Scotland, 2022: Mid-2021 Population Estimates Scotland | National Records of Scotland
Office for National Statistics, 2022: Estimated number of households by age of eldest child within the household, UK, 2021| Office for National Statistics
Office for National Statistics, 2023: Conceptions in England and Wales| Office for National Statistics
CP Sport, 2022: Impact | Cerebral Palsy Sport| CP Sport
Parkinson's UK:. Reporting on Parkinson's: information for journalists | Parkinson's UK
British Lung Foundation, 2012: Chronic obstructive pulmonary disease (COPD) statistics | British Lung Foundation
NHS, 2023: Pneumonia| NHS
Muscular Dystrophy UK: Muscular Dystrophy UK
Multiple Sclerosis Trust, 2021: How common is multiple sclerosis? | MS Trust

above. Those in groups out of scope would follow the baseline trend. Then we recalculate bad debt and compare it to the baseline as shown in Table 2.

Table 4: Proportion of 'do not install' and 'further assessment needed' customers that use different payment types, %

	Proportion on DD	Proportion on SC	Proportion on PPM
'do not install' proportion of all customers	25.2%	11.9%	23.9%
'further assessment needed' proportion of all customers	14.3%	8.6%	18.3%
	Proportion PPM/DD	**Proportion PPM/SC**	
'do not install' proportion of all customers	5.4%	16%	
'further assessment needed' proportion of all customers	4.1%	11.9%	

A2.37 The all-ban policy option assumes that no Standard Credit or Direct Debit customers would face an involuntary installation (See Table 2). Our estimate of the impact of a full ban is that it would result in £472m in additional bad debt (£28 on per customer basis). For 'do not install' and 'further assessment needed' consumers it would be £88m (£4 per customer) and for 'further assessment needed' only, £38m (£2 per customer).

Sensitivity analysis of historical trends: 'possible' scenario

A2.38 Since we are changing the incentives to repay debt, we also conducted sensitivity analysis to explore the consequences of a change in behaviour. First, we assume that customers in the 'do not install' and 'further assessment needed' groups would show higher rates of bad debt than the average household. We increase the rate of transformation of debt to bad debt by 50%. Then we estimate the impact of the PPM ban following the same steps as before.

A2.39 We use 50% for the same reasons outlined in paragraph A2.50 below. However, this assumption should be seen as a sensitivity and our current view is that it is likely to overstate the increase in bad debt among affected groups. For example, our customer research does not suggest that consumers in 'do not install' and 'further assessment needed' groups that face arrears are more likely to fall into bad debt.[28]

A2.40 Table 5 shows the impact, in £per customer, under this scenario, which results in a larger impact for 'do not install' and 'further assessment needed' groups of £354m, or £16 per household. This analysis shows the difference between 'do not install' and 'further assessment needed' impact too. The data allows to break down impacts by 'do not install' and 'further assessment needed' groups. However, it would be challenging to allow for further disaggregation of the 'further assessment needed' group. For example, the level of disaggregation in our datasets does not allow us to assess how many households would qualify for a ban on Involuntary PPM installations in the 'further assessment needed' group in line with some of the details of our proposals.

Table 5: Top-down methodology, summary of 'possible' difference for different policy option, estimation using additional assumptions about debt propensity of 'do not install' and 'further assessment needed', £m and £per household

Options		**Total Bad Debt, £m**	**Baseline, £m**	**Difference in £m and £ph**
Option 2 variation	'do not install' Only	1,292	1,072	220 (10)
Option 2 variation	'further assessment needed' Only	1,205	1,072	133 (6)
Option 2 – Code implementation	**'do not install' and 'further assessment needed'**	1,426	1,072	354 (16)
Option 3	All ban new PPM	1,691	1,072	619 (28)

A2.41 Finally, we take into account that a number of PPMs may have been incorrectly installed and that installation might be reversed under the new policy. We have assumed that between 5%-8% of meters were installed in this way. Although there is no direct evidence, we support this assumption by taking the proportion of households on the Priority Service Register and assuming that 50% of those who had a PPM installed should be on Standard Credit instead.

[28] Vulnerable consumers could struggle to pay their bill or top-up their PPMs, but this does not automatically translate into bad debt, as long as they have some form of credit. So far, we haven't seen any clear difference with other consumers in terms of bad debt rates.

A2.42 Table 6 shows the impact of this additional assumption, in £per customer, under the different policy options.

Table 6: Top-down methodology, summary of 'worse case' difference for multiple policy options assuming reversals, £m and £per household

Options		**Baseline, £m**	**Total Bad Debt, £m**	**Difference in £m and £ph**
Option 2 variation	'do not install' Only	1,668	1,072	596(26)
Option 2 variation	'further assessment needed' Only	1,207	1,072	135 (6)
Option 2 – Code implementation	**'do not install' and 'further assessment needed'**	1,803	1,072	731 (32)
Option 3	All ban new PPM	2,068	1,072	996 (44)

A2.43 In summary, taking historical data, the impact of our proposals on bad debt could be low: £4 per household, based on evidence (Table 2) from how bad debt in the water sector has increased in response to changes in bills. However, there are reasons this might understate the effects. The water sector never had PPMs and over time it would have become more efficient at collecting debt. This is probably an optimistic scenario; energy companies may not be as adept at collecting debt. In addition, water sector estimates of the elasticity between bills and bad debt were conducted at a time when households were under less financial pressure and bills were generally lower. Therefore, the elasticity estimate is being used 'out of sample'. As a result, there are reasons to think it may be higher. Alternatively, the relationship between bills and debt may not exhibit a constant elasticity at higher bill levels, as assumed. Instead, it may exhibit a relationship where bad debt levels increase but at a decreasing rate with respect to bill level, and so bad debt could be lower. A more cautious scenario suggests that bad debt cost could escalate to £16 per household. A high scenario, taking into account reversals where PPM for 'do not install' groups are replaced with credit meters, would result in an impact of £32 per household.

'Suppliers' view' of bad debt rates

A2.44 The April 2023 RFI and CFI on debt-related costs collected data and evidence on the initial impact of the PPM moratorium on bad debt. This evidence suggests that the moratorium (equivalent to a full ban on PPM installations) increased bad debt costs by between £25m and £30m per month in February and March 2023.

A2.45 These estimates are initial and may not be generalisable to a full year's worth of costs, given the potential for costs to compound as more and more installations are prevented. However, on an annualised basis, these monthly costs would equate to between £300m and £360m per annum, or between £13 and £16 per typical dual fuel household.

A2.46 The additional bad debt resulting from the proposed changes to the PPM code of practice is expected to be lower than the market-wide moratorium. Therefore, this initial supplier evidence provides a useful corroboration of the estimated range.

'Bottom-up' analysis

A2.47 We use this methodology to sense check the outputs of the preferred methodology ('top-down'). Under this methodology we consider Option 2 – Code proposals.

A2.48 We collected data on the number, frequency and characteristics of groups that would be in scope of this ban. We then made assumptions about the proportion of consumers in scope of the ban who would not pay back their debts if they were on a credit meter. Then we added the debt from this group and applied some sensitivity analysis to produce the results in Table 9.

A2.49 We took several steps to estimate this impact. The cost assessment for this methodology is based on the estimation of the unit cost of debt, multiplied by the number of households that would fall into bad debt. First, the additional debt accrual in Table 9 was estimated as follows:

$$Total.bad.debt_{ij} = p_i \sum_j ca_j na_j + \sum_j cb_j nb_j$$

Where:

- p_i is a proportion from 25% to 75% which provides sensitivity to the uncertainty in the number of people assumed to fall in the *"further assessment"* group.
- ca_j and cb_j is the unit cost of debt for each household in the "*do not install"* and "*further assessment"* groups respectively.
- na_j and nb_j are the number of people in the "*do not install"* and "*further assessment"* groups respectively.

In addition, the cost per household ca_j and cb_j has been calculated as follows:

$$cost.per.household_i = P_i d_i$$

Where P_i is the yearly cost of energy as set by the price cap and di is the probability of default as estimated in Table 8.

A2.50 Some of the assumptions we made where:

- We checked the headline percentage of households that are in debt to their supplier in our CIM surveys (7%) against SOR data (6%). We use margins of error (+/- 2ppt) to account for quarter-to-quarter fluctuations.
- We use a specific percentage[29] for a) health/disability: 8-12% b) under 5s and/or pregnancy: 13-17% - which are applied to the relevant groups. The older age group has a lower propensity to be in debt (2%) in CIM data than the total credit customer group (7%). However, given vulnerability concentration in a proportion of that cohort, we instead use the headline % (7%) as their debt level, to again err on side of caution.
- We estimate the proportion of indebted credit customers who will not pay under this scenario in three steps:
    - SOR data finds Involuntary PPM installations accounted for under 1% of credit meters in 2022.
    - 2022 installations were 30% of warrant applications – assumed that all of that warrant applications group also no longer pay.
    - We estimate an additional 1ppt of credit customers won't pay, to account for behavioural change in the pre-warrant application pipeline. This gives us 3.5% of credit customers, which divided 7% in debt = a factor of 0.5. This factor will be applied to each of the group % referenced in 3, to calculate non-payment by specific cohorts (health/disability etc).
- For some groups, the baseline bad debt rate may already be higher than 2%. But again, we've erred with 2%, to make these estimates err on the side of overestimate of additionality.
- In addition to the assumption of what proportion of indebted credit customers will not pay, this method adds a margin of error of ± 2%, generating high and low scenarios. We set baseline debt non-payment at the current bad debt

[29] Ofgem, 2023: [Consumer Impacts of Market Conditions survey - Wave 3 (Nov/Dec 2022) | Ofgem]

allowance rate (2%) and deduct this figure from the proportion of indebted credit customers we estimate will not pay in counterfactual.

A2.51 Table 8 below reports the percentage of additional bad debt accrual that results from these calculations.

Table 8: Bad debt accrual under low, medium and high scenarios, %

Additional debt accrual:	**Low**	**Medium**	**High**
Disability and health (per hhold)	0.4%	1.3%	2.3%
Households at large (per hhold)	2.4%	3.4%	4.3%
Under 2s + 75s (per hhold)	1.1%	2.1%	3.0%

A2.52 In this method, additional sensitivities were added by assuming that a percentage of people were excluded from PPM installations. For example, if 1.55 million people are identified as suffering from qualifying health conditions, we show results assuming that 25%, 50% and 75% of these customers would be excluded from PPM installations.

A2.53 Making assumptions about behavioural change (based on qualitative views) increases the impact (relative to the RFI results). Table 9 shows the results from this estimation. In this scenario, a larger proportion of debt becomes bad, so the Medium-50% scenario produces similar results to the do not install' and 'further assessment needed' scenario (Table 5) in our first methodology which includes sensitivity analysis. By comparison, the method reported in Table 9 offers a similar range of impacts to Table 5, a range between £9 and £41. However, the most likely (central) impact in this method is £23 and in our preferred method in Table 5 is £16.

Table 9: Bottom-up methodology, estimations of difference, £m and £per household

Total Bad Debt (£m)	**25% medium excluded**	**50% medium excluded**	**75% medium excluded**
High	646	783	921
Medium	422	519	616
Low	198	254	311

Bad Debt Dual Fuel Equivalent (£ph)	25% medium excluded	50% medium excluded	75% medium excluded
High	29	35	41
Medium	19	23	27
Low	9	11	14

Impact on administration costs

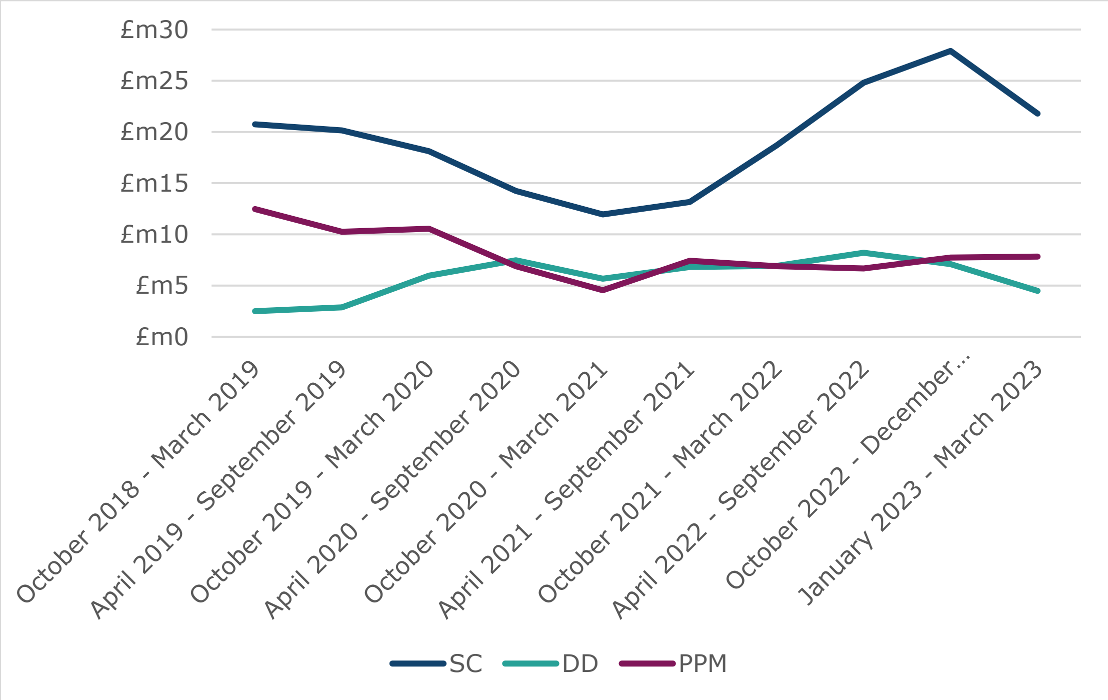
A2.54 We expect an increase in administrative cost due to the introduction of additional measures in the Code. As part of the RFI, we requested information on the main elements of administrative costs associated with managing debt.

A2.55 In the latest RFI we requested information on:

- Legal/warrant costs (LWC);
- Costs of non-warrant field visits (CN-WFV);
- Other communication costs (OCC);
- Setting up payment plans (SUPP); and
- Debt collection agencies and Other.

A2.56 Figure A4 overleaf shows the evolution of debt-related administrative costs quarterly since January 2019.

Figure A4: debt related administrative costs from January 2019 to March 2023, £m[30]



Source: Request for Information issued by Ofgem (April 2023)

A2.57 While there are fluctuations during and after the Covid 19 pandemic, there is no obvious pattern across the three payment types, including in the January to March 2023 period (which covers two months under the PPM moratorium).

A2.58 In the last period, we have seen some changes in the composition of admin costs. For example, a decrease in the cost of legal, non-warrant field visits and other communication costs and an increase on the cost of setting up payment plans, which is consistent with the impact of the proposals in the short term. However, this evidence was provided by a limited number of respondents. The majority of respondents did not provide any data on the composition of admin cost. So we don’t think we can extract any further evidence from disaggregated admin cost data.[31]

A2.59 For this reason, we took a top-down methodology to estimate the impact of our proposals on the administrative costs associated with debt management. We projected the total admin cost for the next financial year and each payment method using a new regression analysis using past values of admin cost as the main predictor.

[30] Notice that last two data points are two consecutive quarters following the price cap methodology.
[31] Disaggregated data on admin cost accounted for around 24% of all customers.

A2.60 Then we assume that PPM and direct debit admin costs would stay the same as in the baseline. Then we calculated what would be the increase in admin cost in the SC payment method with a complete ban by assuming an increase of 10% in the low scenario and 50% in the high scenario. This was initially applied to all customers on standard credit. Then we split the standard credit group in those in and out of scope of our proposals. Those in scope follow the trend for the complete ban and those out of scope follow the baseline trend. Table 11 shows the expected difference in total admin costs in the different scenarios and under the different ban alternatives.

Table 11: Estimates of impact on administration costs using Low, Central and High scenarios £m

	Total Admin Cost, £m Low	**Options**	**Baseline**	**Difference**
Option 2 variations	'do not install' Only	187	178	8
	'further assessment needed' Only	184	178	6
Option 2 – Code implementation	**'do not install' and 'further assessment needed'**	193	178	14
Option 3	All ban new PPM	249	178	70

	Total Admin Cost, £m Central	**Options**	**Baseline**	**Difference**
Option 2 variations	'do not install' Only	188	178	10
	'further assessment needed' Only	185	178	7
Option 2 – Code implementation	**'do not install' and 'further assessment needed'**	195	178	17
Option 3	All ban new PPM	260	178	82

	Total Admin Cost, £m High	Options	Baseline	Difference
Option 2 variations	'do not install' Only	194	178	15
	'further assessment needed' Only	190	178	11
Option 2 – Code implementation	**'do not install' and 'further assessment needed'**	205	178	27
Option 3	All ban new PPM	307	178	129

Distributional impact

A2.61 The main beneficiaries of the policy are particularly vulnerable consumers in arrears, and so are at risk of Involuntary PPM. The significant benefit to these consumers are that they are not subject to the experience of having a PPM forcibly installed. In addition, as a result of not having a PPM installed, these customers may have a reduced chance of self-disconnecting and so incurring the health-related harms of rationed energy use, especially for heating during the winter months. These benefits are not amenable to Ofgem's Distributional Impacts Framework in that they apply only to the subset of consumers targeted by the policy. However, the policy is targeted specifically at vulnerable consumers and so we believe has positive distributional impacts. For example, it will further protect those that are in vulnerable situations and otherwise struggling to pay their energy bills.

A2.62 The costs of this policy are primarily distributional in that the additional bad debt as a result of not repaying debt through a PPM is technically a transfer to the generality of consumers from those consumers who default on their debt. Additional administrative costs are true economic costs and are also borne by the generality of consumers, subject to an increase in price cap allowances.

A2.63 We have used Ofgem's Distributional Impacts Framework[32] to assess the distributional impacts on consumers of the additional bad debt and administrative costs.

A2.64 Since the additional bad debt and administrative costs would be levied volumetrically, the policy's increase in bills will be progressive overall since larger households with higher incomes and higher energy usage will pay for a greater portion of

[32] A full description of Ofgem's Distributional Impacts Framework and associated consumer archetypes can be found in the subsidiary documents of our Impact Assessment Guidance: Impact Assessment Guidance | Ofgem.

the increased cost. However, there are archetypes who have both higher usage and either lower incomes or are vulnerable in some way.

A2.65 Table 12 below demonstrates the distributional impacts per household across Ofgem's 13 consumer archetypes for the two estimation techniques described above: 'top-down' and 'bottom-up', respectively.

Table 12 : Distributional Impacts of the additional bad debt and administration costs borne by the generality of consumers (Average Savings per household in £ per year)

Archetype	Fuel	Key attributes	Estimated no. households (million)	Top-down	Bottom-up
A1	Dual fuel	High incomes, owner occupied, working age families, full time employment, low consumption, regular switchers.	2.8	-3.75	-22.23
A2	Dual fuel	High incomes, owner occupied, middle aged adults, full time employment, big houses, very high consumption, solar PV installers, care for the environment.	2.9	-6.64	-39.35
B3	Dual fuel	Average incomes, retired, owner occupied - no mortgage, lapsed switchers, late adopters.	3.7	-4.96	-29.39
B4	Dual fuel	High incomes, owner occupied, part-type employed, high consumers, flexible lifestyles, environmental concerns.	2.3	-5.29	-31.33
C5	Dual fuel	Very low incomes, single female adult pensioners, non-switchers, disconnected (no internet or smart phones).	1.9	-3.56	-21.08
D6	Dual fuel	Low income, disability, fuel debt, disengaged, social housing, BME households, single parents.	1.5	-4.64	-27.49

Archetype	Fuel	Key attributes	Estimated no. households (million)	Top-down	Bottom-up
D7	Dual fuel	Middle aged to pensioners, full time work or retired, disability benefits, above average incomes, high consumers.	1.2	-5.32	-31.50
E8	Dual fuel	Low income, younger households, part-time work or unemployed, private or social renters, disengaged non-switchers.	2.4	-4.38	-25.92
E9	Dual fuel	High income, young renters, full time employments, private renters, early adopters, smart phones.	3.1	-3.85	-22.79
F10	Off-gas	Middle aged to pensioners, full time work or retired, owner occupied, higher incomes, oil heating, rural, RHI installers, late adopters.	1.9	-3.87	-22.90
G11	Off-gas	Younger couples or single adults, private renters, electric heating, employed, average incomes, early adopters, BME backgrounds, low levels of engagement.	1.5	-3.53	-20.91
H12	Off-gas	Elderly, single adults, very low income, medium electricity consumers, never-switched, disconnected, fuel debt.	0.6	-2.71	-16.05
H13	Off-gas	Off gas, low income, high electricity consumption, disability benefits, over 45s, low energy market engagement, late adopters.	0.5	-3.60	-21.35

Public Sector Equality Duty

A2.66 Ofgem has a legal duty in making sure we consider the impact of our policies on protected groups under the Public Sector Equality Duty (PSED). The main objective of the PSED is to:

- eliminate discrimination, harassment, victimisation and any other and any other conduct that is prohibited by or under this Act.
- advance equality of opportunity between persons who share a relevant between persons who share a relevant protected characteristic and persons who do not share it.
- foster good relations between persons who share a relevant protected between persons who share a relevant protected characteristic and persons who do not share it.

A2.67 Our assessment is that the main objective of this policy (Ofgem's vulnerability duty) overlaps with the PSED for the following portrayed characteristics: age; disability; pregnancy and maternity. Our assessment of benefits identifies the impact of our policy in these group and it therefore covers requirement to do an Equalities Impact Assessment. As we explain in the section below, the benefits for these groups would be large. There is a wide range of quantified and non-quantified benefits resulting from the ban on force installations of PPMs.

A2.68 For other protected characteristics such as race, religion, or sexual orientation, we have not identified any potential for discrimination or adverse impacts. Some of the distributional impacts on these groups is included, where relevant, in the distributional impacts reported in the table above.

Benefits

A2.69 The benefits of banning forced installations on 'do not install' and 'further assessment needed' groups are potentially very large. Some of these benefits are hard to monetise, but our analysis below indicates that there is enough evidence and credible research in this field to show that they outweigh the costs that we have identified above. Avoiding distress caused by forced installation amongst vulnerable consumers is not only one of the key priorities of Ofgem's Vulnerability Strategy[33] (and in particular outcomes 1A, 2B, 3B and 3C) but also, it can be shown it has large benefits for those individuals

[33] Ofgem, 2019: Consumer Vulnerability Strategy 2025 | Ofgem

and knock-on effects in public health. There would be benefits for the market as a whole too.

A2.70 In order to estimate benefits from our proposals, we have focused on the benefits that would accrue to energy consumers in the vulnerable categories only. Extending the ban of PPMs to all credit consumers would produce additional benefits in people who would potentially increase energy use and not pay for it. There may be examples where our identification of 'do not install' and 'further assessment needed' customers is imperfect, and that other customers would also achieve some of the benefits below. However, on balance we consider that our Code proposals focus on the customers where there is greatest non-financial benefit from the avoidance of interruptions to supply. We therefore consider that it is appropriate to consider the benefits to other customers as a straightforward transfer of resources between consumers, with net zero value in this Impact Assessment. Although, ultimately, policy decisions about where to draw the line between those who have more and less protection will be matters of judgement balancing various different considerations.

A2.71 Our estimation of benefits for the affected 'do not install' and 'further assessment needed' customers has three elements:

- First, we assess the value of the energy lost in interruptions through self-disconnection and self-rationing[34] for those vulnerable consumers, using the Value of Lost Load (VoLL);
- Then we perform a break-even analysis showing how increased access to heating would reduce winter deaths and with a large value associated with it; and
- Third, we also use break-even analysis to show the impact on the cost of treating health related issues associated with cold homes.

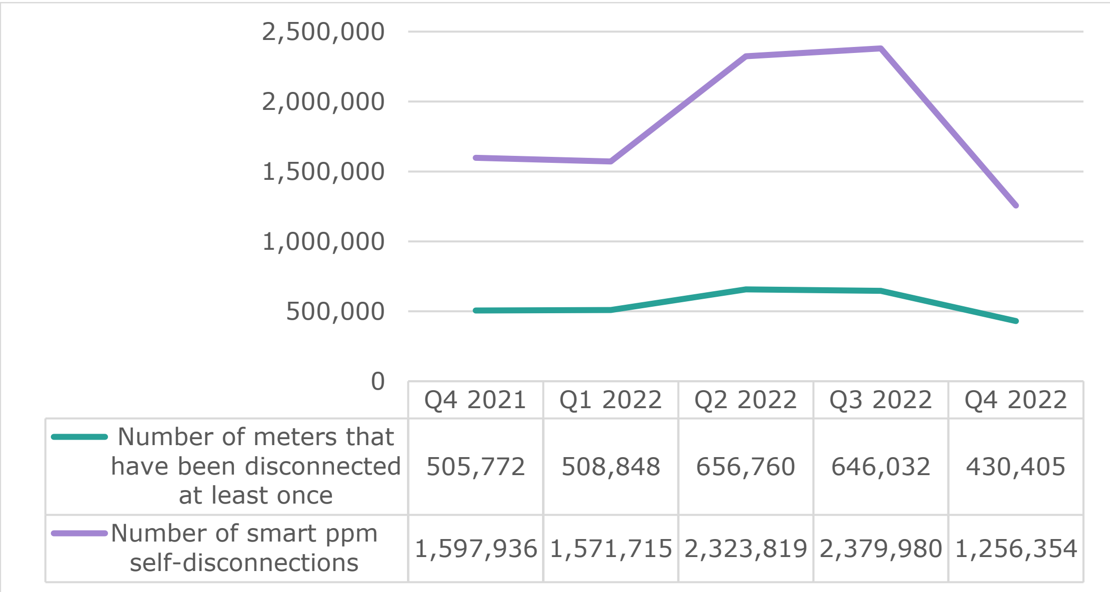
VoLL associated with interruptions

A2.72 Ofgem collects data on the number of meters that disconnect every quarter. We also collect data on the duration of the disconnections so by combining frequency and duration we can have an estimate of the number of hours of disconnection per year. Then we can apply the VoLL to find the monetised value of these disconnections. The VoLL values have a range giving different values for the length of period, time of the day and season. Since we don't have disaggregated data, we use a range between the low and high value of the VoLL.

[34] Self-disconnection and self-rationing shall be referred to collectively as self-rationing.

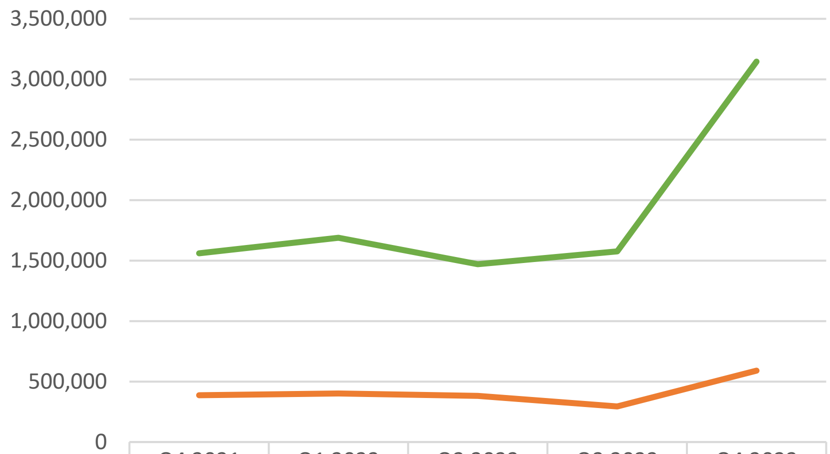
A2.73 In accordance with our Vulnerability Strategy, our objective is that people with vulnerabilities should not self-disconnect. In many cases this would be an involuntary outcome (for example due to mobility constraints). Even if self-disconnection is a conscious decision, self-disconnection should be avoided due to the long-term health impacts in these groups. In order to assess the value associated with self-rationing we first estimate the number of and the duration of these self-disconnections. Figure 5A shows the numbers of smart PPM self-disconnections between Q4 2021 and Q4 2022, while Table 13 shows the duration of these disconnections. We combine the number and duration to arrive at an estimate of lost hours for an average customer on a PPM. This would correspond to the number of hours lost by an average PPM user.

Figure 5A: Smart PPM self-disconnections, Electricity and Gas



	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Number of meters that have been disconnected at least once	505,772	508,848	656,760	646,032	430,405
Number of smart ppm self-disconnections	1,597,936	1,571,715	2,323,819	2,379,980	1,256,354

Electricity



	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Number of meters that have been disconnected at least once	387,122	401,118	381,883	294,421	590,381
Number of smart ppm self-disconnections	1,561,071	1,689,344	1,470,730	1,576,218	3,146,140

Gas

Table 13: Duration of Smart PPM self-disconnections, hours and days

Gas	1h	3h	7h	12h	1 day	3 days	7 days	28 days	28 days+
2021 Q4	30.7%	17.3%	14.5%	8.1%	5.8%	6.9%	3.2%	2.6%	8.7%
2022 Q1	29.6%	17.6%	14.8%	8.5%	5.8%	7.2%	3.5%	3.2%	8.9%
2022 Q2	27.4%	14.7%	13.5%	8.9%	6.8%	9.2%	4.7%	4.1%	10.7%
2022 Q3	25.9%	11.9%	11.4%	8.7%	7.1%	12.0%	6.2%	5.6%	11.2%
2022 Q4	6.7%	13.0%	17.2%	14.2%	8.4%	16.7%	8.5%	6.9%	8.4%

Electricity	1h	3h	7h	12h	7 days	28 days	28 days+
2021 Q4	54.8%	12.5%	8.5%	4.8%	2.2%	2.0%	7.3%
2022 Q1	52.5%	12.7%	8.4%	5.0%	2.5%	2.4%	7.7%
2022 Q2	48.3%	13.9%	9.2%	5.7%	2.9%	2.1%	8.6%
2022 Q3	47.5%	14.0%	9.4%	6.0%	3.2%	2.5%	7.4%
2022 Q4	31.8%	18.2%	16.1%	8.0%	3.4%	4.4%	7.4%

A2.74 In table 14 we calculate the percentage of people on the Priority Services Register (PSR) and the proportion who said they could have difficulties to afford the cost of energy. Combining this proportion with the number of customers and the average hours lost, gives us the number of hours of energy lost to self-rationing for customers on Standard Credit and PSR, which we use as an approximation to the loss to vulnerable customers[35] (using PSR instead of "do not install" and "further assessment needed" groups would probably underestimate the number of people in scope of the proposals).

[35] We do not include Direct Debit because we expect them to cancel their debits before being exposed to bad debts. We don't take account of PPMs either because they are part of the counterfactual.

Table 14: PSR customers, and proportion of those who would have difficulty affording cost of energy, %

	%	**No survey respondents**
Proportion of all customers on PSR and SC	2%	72/3457
Proportion of customers on PSR that responded "I can't afford the cost of energy"	69%	245/345

Source: Ofgem CIM survey[36]

A2.75 In table 15 we show the average hours of lost by disconnection length. Then we estimate the average use of energy in every hour and multiply by the loss load to estimate the value as in table 16.

Table 15: Average hours lost by duration for vulnerable households

Hour lost (000)	**Up to 1 h**	**Up to 3h**	**Up to 7h.**	**Up to 12h.**	**Up to 1 day**	**Up to 3 days**	**Up to 7 days**	**Up to 28 days**	**28 days or more**
Average lost hours Gas	245	456	1,022	1,187	1,665	7,642	8,931	30,661	171,730
Average lost hours Elec	480	437	736	724	983	3,908	4,877	18,397	137,592

A2.76 Table 16 shows the impact on PSR households from self-disconnection, using the VoLL as the value of the reduction in usage. We use VoLL to proxy the value consumers place on energy consumption, which can be many times the retail rate. The VoLL can vary with circumstances, such as duration, season and time of interruptions, as well as the methodology used to calculate it. As a result, we use a low, medium and high value based on range published by Ofgem.[37] If we assume that a ban on PPM would stop unwanted self-rationing, the results in table 16 show that there are large benefits from our proposals. It ranges from £386m to £1.2bn, with a central value of £795m.[38]

[36] Ofgem, 2023: [Consumer Impacts of Market Conditions survey - Wave 3 (Nov/Dec 2022) | Ofgem]
[37] Ofgem, 2011: [The Value of Lost Load (VoLL) for Electricity in Great | Ofgem]
[38] Notice that in the benefits case, there is no probability associated with each scenario, so they don't necessarily match with the cost scenarios.

Table 16: Value of reduced consumption due to self-disconnection, £m

	Low	Central	High
VoLL from Gas Interruptions	287	394	502
VoLL from Electricity Interruptions	98	401	703
Total VoLL	386	795	1,205

Benefits from a reduction of winter deaths and health problems

A2.77 Cold homes can cause and worsen respiratory conditions, cardiovascular diseases, poor mental health, dementia, hypothermia and problems with childhood development. In some circumstances, health problems may be exacerbated to a degree that they may cause death. Groups that are already vulnerable such as young children, older people and those with pre-existing health problems will be particularly susceptible to cold.

A2.78 A recent report by the Institute of Health Equity shows that:[39]

- In 2019 it was estimated the NHS spends at least £2.5 billion per year on treating illnesses that are directly linked to cold, damp and dangerous homes.
- Cold homes and fuel poverty contribute to the phenomenon of excess winter deaths. England saw an estimated 32,058 excess winter deaths in 2020–21.[40]
- Estimates suggest that some 10 per cent of excess winter deaths are directly attributable to fuel poverty and 21.5 per cent are attributable to cold homes.

A2.79 In addition, the Marmot report on fuel poverty found that some indirect health impacts from cold housing were: [41]

- Cold housing negatively affects children's educational attainment, emotional well-being and resilience.
- Fuel poverty negatively affects dietary opportunities and choices.
- Cold housing negatively affects dexterity and increases the risk of accidents and injuries in the home.

[39] Institute of Health Equality, 2022: Fuel Poverty, Cold Homes and Health Inequalities in the UK | IHE
[40] ONS: Winter mortality in England and Wales | Office for National Statistics
[41] Institute of Health Equality, 2011: The Health Impacts of Cold Homes and Fuel Poverty | IHE

A2.80 In our calculations there is a break-even point for each of the scenarios. We have estimated (Table 18) that just a 2% reduction in the probability of winter deaths in people over 75 years of age would result in £91m additional benefits from lower winter deaths. If the probability increased to 7% it would result in a benefit of £328m and if it was 12% it would result in a benefit of £576m. Given that people over 75 years of age are more at risk in cold homes, and we estimate the reduction of energy consumption of this group to be around 10%, we think that a break-even point between 2% and 7% reduction in winter deaths would offset the cost of these proposals.

A2.81 Our break-even analysis starts by using the monetary Value of a Life Year (VOLY).[42] Current guidance (HM Treasury, 2018; Annex A2) recommends the following monetary values for the different measures:

- Value of a Prevented Fatality (VPF): £1m (1997 prices) updated to £ 1.6m (2010 prices);
- Value of a Life Year: £60,000; and
- Quality-adjusted Life Year: £60,000.

A2.82 In order to apply VOLY to our break-even analysis, first we found the life expectancy for people in the age category of 75 and 85 years[43]. We assume that all excess winter deaths (63,000) per year would fall into this category. [44]

Table 17: frequency of excess winter deaths for customers with different characteristics and corresponding VoLY (£m)

	Frequency	VOLY £m
Excess winter deaths over 75	53,907	39,412
Excess winter deaths over 85	9093	3443
Excess winter deaths over 75 due to cold homes	11,590	8,473
Excess winter deaths over 85 due to cold homes	1,955	740
Total	**-**	**9,214**

A2.83 We calculate the number of excess winter deaths attributed to cold homes by using the Institute of Health Equity estimate of 21.5%. We then estimate the total number of lost years using ONS life expectancy for 75 and 85 year olds and multiply

[42] Health and Safety Executive, 2020: A scoping study on the valuation of risks to life and health: the monetary Value of a Life Year (VOLY).
[43] ONS: National life tables – life expectancy in the UK | Office for National Statistics
[44] A proportion of winter deaths would be from other vulnerable groups. A larger value would be obtained if we include younger groups in the analysis, but it was quite challenging to obtain estimates of life expectations for people with other vulnerabilities.

that by the VOLY to arrive at the total VOLY attributable to cold homes. This gives a total cost of winter excess death for this group of vulnerable consumers in scope of 'do not install' and 'further assessment needed' proposals. Every year there is a £4.7bn cost associated with excess winter deaths.

A2.84 Table 18 shows that just a 4% decrease in the excess winter deaths by year would offset the cost of our proposals in our most likely scenario. People living in better heated homes will also likely experience an improvement in quality of life, for example a reduction in some of the health impacts cited by the Marmot report. These have not been quantified separately, as the benefits could form part but would not represent all of consumers' value of lost load, used above to calculate the loss of consumer welfare from reduced consumption.

Table 18: Estimated benefits from fewer winter deaths under different scenarios, % and £m

Break-even analysis	Low	Medium	High
Percent reduction in winter deaths	1%	4%	7%
Benefits from fewer winter deaths	£102m	£371m	£614m

A2.85 In summary, we have seen that there is a large BCR when we only use the VoLL against the bad debt and admin costs. When we use break-even analysis on the value of winter deaths, we also see relatively small percentage improvements would offset all cost. And finally, we have not quantified the health improvements associated with warmer homes. All these benefits put together are in our view high enough to justify the intervention.

Risks and Uncertainty

A2.86 This Impact Assessment presents a wide range of costs and benefits. While we think the lower range of benefits exceeds the higher range of costs, we should be cautious and monitor the implementation of this policy on bad debt levels in particular.

A2.87 One of the key uncertainties relates to behavioural change of restricting Involuntary PPM on debt behaviour. Our analysis shows an increasing trend of debt and arrears in the sector in line with energy prices, which could affect our calculations based on historical data and relationships, especially if economic conditions changed, reducing access to credit.

A2.88 Under a complete ban on PPM installations a significant number of consumers could opt to default on their energy bill. Although this would be a temporary shock, it could take a while for energy suppliers to develop new, more efficient tools for managing debt. For this reason, we think it would create additional risks to implement a full ban on PPMs.

A2.89 Our regression analysis and other assumptions we have made based on past evidence could also be misleading if there was a structural change in the sector in relation to bad debt. We have collected data via RFIs, which does not indicate a significant increase in bad debt. However, this data only covers one month since the moratorium on PPM installations and the relation between debt and bad debt could take longer to see or have a complicated dynamic. It may be too early to identify any significant changes in the sector.

A2.90 While we think there is a compelling case to improve protection for vulnerable consumers, the estimation of benefits is subject to a number of caveats. It is difficult to assess additional benefits compared to existing licence conditions because we would need detailed evidence on the frequency of cases and medical impacts. In this assessment we cover winter deaths but we don’t know all the benefits related to wellbeing associated with warmer homes. However, we think that the range of benefits is so large that a small improvement would very likely offset the cost.

A2.91 Finally, not all suppliers face the same type of consumers. Some suppliers have a much larger proportion of vulnerable consumers so they could experience higher levels of bad debt compared to a notional supplier.

Appendix 3 – Final SLC modifications

We have included SLC 26.7, 27.8C, 27A (27A.7 onwards only), 28 and 28B below and the changes we are making. Changes to existing SLCs are shown in strikethrough for deletions and double underlining for new text. Changes from Stat Con version of proposed SLCs are as above but also highlighted in yellow.

Definitions for condition

26.7 In this condition:

“Minimum Details” means the Domestic Customer’s name, details of any relevant Personal Characteristics and/or vulnerable situation, and such other details which are relevant to the subject matter of standard condition 26 as the Authority may from time to time specify by publishing a statement in Writing (following public consultation and giving at least two months’ prior notice).

“Personal Characteristics” means:

(a) the Domestic Customer being of Pensionable Age;

(b) the Domestic Customer being chronically sick, or having an impairment, disability, or long-term medical condition (including but not limited to a visual, auditory or mobility impairment);

(c) any other characteristics identified by the licensee as being relevant due to the nature of the Priority Services.

"Priority Services" is to be interpreted in accordance with paragraph 26.5.

“Relevant Industry Mechanisms” means arrangements for the purposes of sharing the Minimum Details with specified persons as:

(a) set out in the Retail Energy Code, or

(b) designated by the Authority by publishing a statement in Writing (following public consultation and giving at least two months’ prior notice).

"Safe and Reasonably Practicable in all the Circumstances of the Case" is to be interpreted in accordance with ~~paragraph 28.1B of standard condition 28~~ SLC 28.4.

27.8C The licensee must ensure that the terms and conditions of each Domestic Supply Contract or a Deemed Contract reflect the following provisions of the standard conditions:

(a) paragraphs 5 to 8 (inclusive) of standard condition 27 and ~~paragraphs 5 and 6 of standard condition 28B~~ SLC 28.15 and SLC 28.16, stipulating that charges may not be demanded or recovered and until it can be established that the corresponding contractual terms have been complied with; and

(b) paragraphs 17 and 18 of standard condition 27.

Provision of Involuntary Prepayment Meter Credit

27A.7A On each occasion the licensee installs an Involuntary Prepayment Meter in accordance with SLC 28.7, the licensee must ensure that each Domestic Customer receives Involuntary Prepayment Meter Credit, unless it is technically infeasible and/or outside of the control of the licensee to offer those credit facilities to that Domestic Customer.

27A.7B -Where paragraph 27A.7A applies, the licensee must adhere to SLC 27.8 when calculating instalments for the Domestic Customer to repay the total amount of Involuntary Prepayment Meter Credit.

27A.7C In the event it is technically infeasible to apply the Involuntary Prepayment Meter Credit in paragraph 27A.7A, the licensee must take all reasonable steps to ensure that the Domestic Customer does not experience an interruption to their electricity supply.

Provision of Information

27A.8 The licensee must ensure that each Domestic Customer who uses a Prepayment Meter is given adequate information in a ~~F~~form and frequency that is sufficient to allow that Domestic Customer to quickly and easily understand the licensee's Emergency Credit, Friendly-hours Credit, ~~and~~ Additional Support Credit and Involuntary Prepayment Meter Credit facilities (as appropriate) including what this is, when this can be used and how this is repaid by the Domestic Customer.

Definitions for condition

27A.9 In this condition:

"Additional Support Credit" means a fixed amount of credit provided to a Domestic Customer in a Vulnerable Situation when that Domestic Customer's Prepayment Meter credit runs low or runs out to ensure continuity of electricity supply or return on supply.

"Emergency Credit" means a fixed amount of credit provided to a Domestic Customer when that Domestic Customer's Prepayment Meter credit runs low or runs out to ensure continuity of electricity supply or return on supply.

"Friendly-hours Credit" means an amount of credit provided overnight, at weekends and public holidays to a Domestic Customer when that Domestic Customer's Prepayment Meter credit runs low or runs out to ensure continuity of electricity supply or return on supply.

"Involuntary Prepayment Meter Credit" means an amount of credit, or equivalent non-disconnection period, to be specified in guidance to be provided automatically upon installation of an Involuntary Prepayment Meter in accordance with SLC 28.7.

"Self-disconnection" means when a Domestic Customer uses a Prepayment Meter and experiences an interruption to their electricity supply because the credit on the meter has been exhausted. Terms derived from this, such as 'Self-Disconnected' and 'Self-Disconnecting' shall be construed accordingly.

"Self-rationing" means when a Domestic Customer deliberately limits its electricity use to save money for other goods or services. Terms derived from this, such as 'Self-Ration' and 'Self-Rationed' shall be construed accordingly.

Information about Prepayment Meters

28.1 If the licensee offers to enable a Domestic Customer to pay or a Domestic Customer asks to pay Charges through a Prepayment Meter, the licensee must provide, prior to or upon the installation of that meter, appropriate information to that customer about:

(a) the advantages and disadvantages of a Prepayment Meter;

(aa) information relating to the operation of the Prepayment Meter, including information about the process for, and methods by which, the Domestic Customer can pay in advance through the Prepayment Meter;

(b) where ~~he~~ they may obtain information or assistance if:

(i) the Prepayment Meter is not operating effectively; or

(ii) any device used to allow the Charges to be paid through the Prepayment Meter is not operating effectively;

(bb) the licensee's Emergency Credit, Friendly-hours Credit, ~~and~~ Additional Support Credit and Involuntary Prepayment Meter Credit facilities as defined in SLC 27A including what this is and when this can be used by the Domestic Customer; and

(c) the procedures that the licensee will follow when removing or resetting the Prepayment Meter, including the timescale and any conditions for removing or resetting it.

Safety and reasonable practicability of Prepayment Meters

~~28.1A~~ 28.2 Where a Domestic Customer ~~requests, is offered or~~ uses a Prepayment Meter or a licensee installs an Involuntary Prepayment Meter and the licensee becomes aware or has reason to believe that it is ~~no longer~~ not safe and reasonably practicable in all the circumstances of the case for the Domestic Customer to have a Prepayment Meter ~~do so~~, the licensee must offer:

(a) to alter the position of, or replace with one which has been specially adapted, the Prepayment Meter installed in the Domestic Premises, either in accordance with its obligations under Schedule 6 (Electricity Code) or otherwise, if it would make it safe and reasonably practicable in all the circumstances of the case, for the Domestic Customer to continue to use the Prepayment Meter;

(b) to make such other arrangements as are necessary to ensure that it would be safe and reasonably practicable in all the circumstances of the case, for the Domestic Customer to continue to use the Prepayment Meter; or

(c) a facility for the Domestic Customer to pay Charges through a means other than a ~~p~~Prepayment ~~m~~Meter, including, where ~~condition~~ SLC 27.5 applies, the services referred to in ~~condition~~ SLC 27.6(a)(i) and (ii).

28.3 In complying with SLC 28.2, the licensee must contact the Domestic Customer, in a form that takes into account their communication preferences, as a minimum, on an annual basis, to assess whether the Prepayment Meter remains safe and reasonably practicable in all the circumstances of the case in accordance with SLC 28.4.

Prepayment Meter guidance

~~28.1B~~ 28.4 The licensee must ~~at all times have regard to~~ comply with the Prepayment Meter guidance ~~on~~ which includes the interpretation of "safe and reasonably practicable in all the circumstances of the case" which, following consultation, the Authority may issue, and may from time-to-time revise (following further consultation).

Resetting of Prepayment Meters

~~28.2~~ 28.5 Where a Domestic Customer pays Charges for the Supply of Electricity through a Prepayment Meter, the licensee must take all reasonable steps to ensure that the meter is reset within a reasonable period of time:

(a) after 1 August 2007, if any change has been made to Charges before that date and the meter has not been reset;

(b) after any change is made on or after that date to Charges for the Supply of Electricity; or

(c) if payments are being made by instalments using the meter:

(i) after any change is made to the amount due in instalments; or

(ii) after instalments are no longer required.

Provision of information

~~28.3~~ 28.6 The licensee must:

(a) prepare a statement that sets out, in plain and intelligible language, its obligations under SLC 28 ~~this condition and includes the information referred to in paragraph 28.1;~~

(b) publish that statement on and make it readily accessible from its Website (if it has one);

(c) take all reasonable steps to inform each of its Domestic Customers who pay Charges through a Prepayment Meter, at least once each year, of the statement and how to obtain it; and

(d) give a copy of the statement on request and free of charge to any person.

Condition ~~28B~~ 28.7 Involuntary Prepayment Meters ~~PPMs~~, Warrants relating to Prepayment Meters ~~PPMs~~ and other supplier actions to recover debt

Involuntary Prepayment Meters

28.7 A licensee must not install an Involuntary Prepayment Meter, unless, in accordance with the guidance issued under SLC 28.4, each of the following requirements are satisfied:

(a) the Debt Trigger has been met;

(b) the licensee has made multiple attempts to engage with a customer;

(c) the licensee has complied with its obligations to customers in payment difficulty (including but not limited to under SLCs 27, 27A and 28);

(d) appropriate Site Welfare Visits ~~has~~have been carried out; and

(e) the licensee has determined that an Involuntary Prepayment Meter would be safe and reasonably practicable in all the circumstances of the case (including but not limited to the Precautionary Principle, and having carried out checks of all information relating to the Priority Services Register).

28.8 The licensee must comply with any other obligations relating to Prepayment Meters (including but not limited to those in SLCs 27, 27A and 28 ~~and set out in the guidance issued under SLC 28.4~~). In the event of any irreconcilable inconsistency between SLC 28.7 and any other SLC or any other provision made under them, SLC 28.7 shall prevail.

28.9 In relation to the installation of an Involuntary Prepayment Meter, the licensee:

(a) when considering the customer's ability to pay and conducting financial assessments, must accept any information relevant to the subject matter of paragraph 28.9;

(b) must accept information from and actions on behalf of a customer by any person or organisation ~~legally entitled~~ authorised to act on their behalf;

(c) must not link any staff incentives to the number of installations;

(d) must ensure that Site Welfare Visits include the use of audio recording equipment or body cameras;

(e) must ensure that post installation aftercare support is provided; and

(f) must retain any assessment documentation and audio or body camera recordings for an appropriate period~~; and~~

~~must have regard to the guidance issued under paragraph 28.4~~.

Prohibitions on exercising a warrant and recovering costs

~~28B.1~~ 28.10 The licensee must not exercise a Relevant Warrant (or otherwise exercise a statutory power which would give rise to the grounds for obtaining a Relevant Warrant) in respect of a Domestic Customer's premises where such action would be severely traumatic to that Domestic Customer or any member of their household due to an existing vulnerability which relates to their mental capacity and/or psychological state and would be made significantly worse by the experience.

~~28B.2~~ 28.11 The licensee must not charge a Domestic Customer in respect of any costs associated with a Relevant Warrant where:

1. that Domestic Customer has a vulnerability which has significantly impaired their ability to engage with the licensee or a Representative in relation to the recovery of a Relevant Payment; or

2. that Domestic Customer has a severe financial vulnerability which would be made worse by charging them any costs associated with a Relevant Warrant.

Cap on warrant costs

~~28B.3~~ 28.12 Subject to paragraph ~~28B.3A~~ 28.13 where the licensee or any Affiliated Licensee obtains and/or exercises one or more Relevant Warrants in respect of particular Domestic Premises of a particular Domestic Customer, the total amount of charges they recover (or seek to recover) at any time from the same Domestic Customer in relation to any costs associated with those Relevant Warrants and incurred within the Specified Period, must not exceed the Specified Amount (and, for the avoidance of doubt, no additional costs that were incurred within the Specified Period may be recovered during any other period of time).

~~28B.3A~~ 28.13 Where the licensee or any Affiliated Licensee obtains and/or exercises one or more Relevant Warrants in respect of more than one Domestic Premises of the same Domestic Customer, paragraph ~~28B.3~~ 28.12 applies separately to each of those Domestic Premises.

Proportionality principle for debt recovery activities

~~28B.4~~ 28.14 The licensee must only exercise a Relevant Warrant where such action would be proportionate in the context of the amount of the Outstanding Charges.

~~28B.5~~ 28.15 In relation to the recovery of Outstanding Charges, Other Outstanding Charges or any other debt ('the charges') from a Domestic Customer, the licensee must ensure that:

1. any action it or a Representative takes (including, but not limited to, the exercise of statutory powers); and

2. the costs which they seek to recover from that Domestic Customer as a result,

are proportionate in the context of the amount of the charges ~~and the customer's ability to pay (as assessed in accordance with SLC 27.5), having regard to the guidance issued under SLC 28.4~~.

~~28B.6~~ 28.16 Paragraph ~~28B.5~~ 28.15 does not apply in relation to a Transfer Objection.

Debt completion assessment

28.17 The licensee must ensure that once a customer using an Involuntary Prepayment Meter has repaid all debt owed, the customer is contacted and offered:

1. an assessment of whether a Prepayment Meter remains the most appropriate payment method (including but not limited to in accordance with SLC 28.2 and the guidance issued under SLC 28.4);
2. appropriate information on alternative payment methods and tariffs; and
3. the option to move to an alternative payment method.

28.18 If the customer decides, pursuant to paragraph 28.17 to move to an alternative payment method, the licensee must:

(a) agree to and implement this change as soon as reasonably practicable, subject to required credit checks; and

(b) ensure that any security deposit required as part of this process does not exceed a reasonable amount.

Duration of the restrictions

~~28B.7~~ 28.19 Paragraphs ~~28B.1 to 28B.4~~ 28.10 to 28.13 will cease to have effect on ~~31 December 2020~~ 30 June 2025 unless the Authority specifies a later date by publishing a statement in Writing.

~~28B.8~~ 28.20 The power to specify a later date in paragraph ~~28B.7~~ 28.19 may be exercised by the Authority on more than one occasion (before, on, or after the expiry of any later date specified by the Authority).

Definitions for condition

~~28B.10~~ 28.21 For the purposes of this condition:

"**Involuntary Prepayment Meter**" means:

1. a Prepayment Meter installed by execution of a Relevant Warrant in respect of a Domestic Customer; or
2. a Smart Metering System switched to a mode which requires a Domestic Customer to pay Charges for the Supply of Electricity in advance when there are Outstanding Charges ~~and the customer has failed to comply with other payment methods in paragraph 27.6(a) (i) and (ii)~~ and the licensee has made attempts to offer alternative payment methods in accordance with SLC 27, relevant notice has been given under ~~paragraph 23.8B~~ SLC 23, and the Domestic Customer has not given explicit Consent for the switch to Prepayment mode;

and references to the installation or removal of an Involuntary Prepayment Meter include the switching of any Electricity Meter to or from such a mode.

28.22 ~~Each of the following has the meaning given in guidance issued under SLC 28.4~~ For the purposes of this condition:

"Consent" means in the context of active consideration of the installation of an Involuntary Prepayment Meter, consent which is unmistakably given by the customer (in writing or verbally), rather than implied or retained in terms and conditions, with a record of the date and method of consent and not given under pressure from the licensee.

"**Debt Trigger"** means, where Charges have been outstanding for three months or more after the date the bill has been issued, and Outstanding Charges are more than the amounts per fuel specified in the guidance issued under SLC 28.4, and the customer is not on, or transitioning, to a repayment plan.

"**Precautionary Principle**" means the assumption to be made by licensees that any Domestic Customer faced with Involuntary Prepayment Meter for debt is likely to be in financial difficulty and therefore more likely to self-disconnect.

"**Site Welfare Visit**" means a visit to Domestic Customers' premises by appropriately trained staff or representatives to attempt to make contact with the customer to identify and/or further assess personal circumstances and characteristics to identify any vulnerabilities that may be present in the household to determine if PPM is safe and reasonably practicable.

"Relevant Warrant" means:

(a) a warrant pursuant to paragraph 23(2)(c) of Schedule 2B to the Gas Act 1986 for the purposes of paragraph 7(3)(a) of Schedule 2B to the Gas Act 1986;

(b) a warrant pursuant to paragraph 7(4) of Schedule 6 to the Electricity Act 1989; and

(c) any other type of warrant specified or described by the Authority by publishing a statement in writing (or by issuing a direction to the licensee), following consultation.

"Specified Amount" means £150 or such higher amount as may be designated by the Authority from time to time by publishing a statement in Writing following consultation, or as set out in any guidance issued by the Authority and which the Authority may revise from time to time, following consultation.

"Specified Period" means twelve months or such other (shorter or longer) period which may be specified by the Authority by publishing a statement in writing (or by issuing a direction to the licensee), following consultation.

"Transfer Objection" means to prevent a Proposed Supplier Transfer on grounds permitted by SLC14.

"Relevant Payment" has the meaning given in paragraph 7(1A) of Schedule 2B to the Gas Act 1986 and paragraph 2(1A) of Schedule 6 to the Electricity Act 1989.

Application to white label tariffs

~~28B.9~~ 28.23 In this licence condition any reference to "premises" covers the premises of Domestic Customers supplied under or by virtue of the licence held by the licensee, including where those premises are subject to Tariffs which use the brand name of a person that does not hold a Gas Supply Licence and/or an Electricity Supply Licence.

Appendix 4 - Final PPM Guidance changes

PPM Guidance (Safe and Reasonably Practicable)

This document contains guidance for prepayment meters and the interpretation of Safe and Reasonably Practicable for the purposes of Standard Licence Condition 28 of the Gas Supply Licence and the Electricity Supply Licence.

1. Overview - Prepayment only where safe and reasonably practicable

1.1. This guidance applies where the Domestic Customer requests or a supplier offers a Prepayment Meter (PPM) to a Domestic Customer or is considering installing or installs an Involuntary PPM. It also applies where the Domestic Customer uses a PPM and ~~where~~ the supplier becomes aware that it is no longer safe and reasonably practicable for the customer to use a PPM.

1.2. As well as complying with ~~having regard to~~ this guidance, suppliers should comply with other obligations under their licences and in other legislation and guidance. For example, suppliers need to ensure that communications materials are appropriate to the needs of customers, referring where applicable to relevant legislation such as the Equality Act 2010. Suppliers should behave and carry out any actions in a fair, honest, transparent, appropriate and professional manner when considering a customer's ability to pay by complying with customers in payment difficulty SLCs 27.5-27.8E and self-disconnection SLC 27A and any other relevant licence conditions or guidance.

1.3. This guidance is not intended to be exhaustive and it is ultimately for suppliers to determine the steps they need to take to meet their supply licence conditions. However for instances of Involuntary PPM, suppliers should ~~have regard to~~ comply with the steps listed in conjunction with their licence obligations in SLC28. These steps provide important protections, particularly for vulnerable consumers. Ofgem will take compliance with these very seriously and is likely to consider enforcement action to be a proportionate response to a single case of breach.

1.4. This guidance is structured as follows:

- Assessment of Safe and reasonably practicable when installing PPM;
- Assessment for installation of Involuntary PPM;
- Identification of customers' circumstances;
- Identification process for Involuntary PPM;
- Ability to Pay;
- Smart Meters;
- Information provision for Involuntary PPM;
- Post installation of a PPM;
- Post Installation of Involuntary PPM and Aftercare; and
- Internal processes (After Involuntary PPM).

2. Assessment of safe and reasonably practicable when installing PPM

2.1. Assessment of ~~W~~what is safe and reasonably practicable should be considered from the Domestic Customer's perspective.

2.2. Relevant factors are likely to include:

a) whether the customer is able to understand and operate the PPM and visit top-up points (where needed) to add more credit. (For example whether the customer has a physical or mental disability that prevents them from being able to appropriately use a PPM).

b) whether the customer lives quite a distance from any top-up outlets (This ~~would~~ may not apply if a customer does not want or need to top up by cash, and has actively asked to pay by alternative top-up methods, but consideration must be given to instances of technical issues with smart PPM in particular in relation to top-up being required manually in case the smart functionality of the meter fails). What constitutes 'quite a distance' is likely to vary depending on the customer's circumstances. For example it may not be reasonably practicable to provide a PPM meter if a Domestic Customer needs to travel over two miles to top up the credit and does not have a car).

c) whether the customer requires a continuous supply for health reasons, such as dependency on medical equipment requiring an electricity supply.

d) whether the PPM is situated in a position (such as high on a wall) that means the customer could not operate the PPM.

e) whether the PPM would have to be situated outside or in a room to which the household does not have continuous access.

f) any advice/guidance received from the Health and Safety Executive (HSE).

2.3. Many of these circumstances may be addressed by technological innovations, particularly where a smart meter is installed, or some other form of initiative. Technical innovations addressing the issue of what is safe and reasonably practicable should only be adopted where suppliers are confident that the solution will enable them to provide a supply to the customer at all times. It is also possible that adults, other than the customer living in the premises, may be in a position to understand and operate the PPM.

3. Assessment for installation of Involuntary PPM

3.1. Involuntary PPM means where a supplier wants to install a PPM without a customer's Consent.

3.2. **Consent:** Is as defined in SLC 28.22 ("means in the context of active consideration of the installation of an Involuntary Prepayment Meter, consent which is unmistakably given by the customer (in writing or verbally), rather than implied or retained in terms and conditions, with a record of the date and method of consent and not given under pressure from the licensee"). ~~Suppliers must consider to be unmistakably stated by the customer, whilst Involuntary PPM is under active consideration by the supplier, rather than implied or retained in terms and conditions. It may be given in writing, or verbally and suppliers must not exert undue pressure on the customer to provide consent. Suppliers must record the date and method used to gain consent.~~

~~In cases of Involuntary PPM, suppliers must be sure of the validity of the debt amount and liability of any customer. Any alternative actions taken to recover debt in instances where a PPM is not suitable for the household should be fair, reasonable and appropriate for the customer's circumstances and level of debt owed. Where it is not possible to ensure [OR be sure of] validity, liability and proportionality, suppliers must be able to demonstrate they have made every effort to attempt assessment.~~

3.3. In all cases of Involuntary PPM, suppliers must not install a PPM where a customer falls into any of the 'do not install' categories below. They must also carry out additional checks for customers in the 'further assessment needed' category including the Precautionary Principle.

3.4. Since the process of exercising a warrant may be severely traumatic for vulnerable consumers, suppliers should make every effort to identify such high-risk customers before applying for and seeking to exercise warrants.

3.5. The personal circumstances and characteristics listed are examples, which have been determined using a number of sources and have been included where risk of detriment when subjected to Involuntary PPM are considered highest. They are not absolute nor exhaustive.[45]

3.6. In all cases, suppliers must seek to identify vulnerable customers and take into account their situation and that of their household.

Do not Install

3.7. Suppliers must not install a PPM if, within the household, there is no one able to access, operate and/or top up the meter due to physical or mental incapacity or for technical reasons and/or have any of the below personal circumstances and characteristics. These fall under 'Do not install' (DNI) category:

- Household requires a continuous supply for health reasons, including:
    - Dependency on any powered medical equipment (such as heart/lung ventilators, dialysis equipment, stair lift, hoist or refrigerated medication);
    - dependency on carelines or health and wellbeing alarms;
    - a medical dependency on a warm home; (for example due to illness such as, circulatory disease, sickle cell disease).
- Households with an ~~very~~ elderly occupant (75+~~85+~~), without support in the house;
- Households with children under 2

[45] Including: Find guidance | NICE; Guidance and regulation - GOV.UK (www.gov.uk) ; Warm Home Prescription - Energy Systems Catapult ; Cold weather plan for England - GOV.UK (www.gov.uk)

- Households with chronic/severe or terminal health conditions (such as cancer, cardiovascular/respiratory disease (COPD such as emphysema, chronic bronchitis) and organ failure).

Further assessment needed

3.8. Suppliers must ~~give due consideration to~~ consider the below personal circumstances and characteristics, alongside the Precautionary Principle, in making their assessment of safe and reasonably practicable. These circumstances and characteristics fall under 'further assessment needed' (FAN) category:

- Age: Children 5 and under ~~under 5/Elderly 75+~~;
- Other serious medical/Health Conditions (such as neurological diseases (Parkinson's, Huntingdon's, Cerebral Palsy) Respiratory conditions, Nutritional issues (such as Malnutrition) ~~(COPD)~~ and mobility limiting conditions (Osteoporosis, Muscular Dystrophy, Multiple Sclerosis));
- Serious mental/developmental health conditions (such as clinical depression, Alzheimer's, dementia, learning disabilities and difficulties, Schizophrenia); and
- Temporary situations (such as pregnancy, bereavement).

3.9. Suppliers ~~must also ensure they have performed additional checks to satisfy themselves~~ are encouraged to ensure that PPM installation is safe and reasonably practicable for any household with adults over 65 and/or children under 16.

3.10. Where a supplier becomes aware or has reason to believe that a customer/household has a personal circumstance or characteristic, such as those demonstrated in the FAN examples, that could be exacerbated by frequent or prolonged periods of self-disconnection, the supplier must ensure that the severity and level of potential detriment of an Involuntary PPM is assessed, taking into account specific metering arrangements and after care support that can be provided.

3.11. **Precautionary Principle**: ~~Suppliers must assume that any customer faced with Involuntary PPM for debt is likely to be in a financial difficulty and therefore more likely to self-disconnect~~ Is as defined in SLC 28.22 ("means the assumption to be made by licensees that any Domestic Customer faced with Involuntary Prepayment

Meter for debt is likely to be in financial difficulty and therefore more likely to self-disconnect.")

3.12. Suppliers must therefore assess the ability to pay of any household they know or have reasonable cause to believe has a personal circumstance or characteristic that falls under the requirement for FAN, to understand if the customer will be unable to afford their ongoing energy needs. If a supplier concludes (taking into account meter type, aftercare support and reasonable energy saving assumptions) that the household will, frequently or for prolonged periods self-disconnect and risk causing significant consumer harm, then the supplier must consider PPM to be not safe and reasonably practicable.

3.13. In circumstances where suppliers have attempted contact via multiple channels and conducted a Site Welfare Visit but have been unable to establish with certainty the level of detriment in association with medium risk characteristics and/or financial assessments, suppliers should apply their own discretion on progression to Involuntary PPM, noting that any move to PPM may need to be reversed if vulnerabilities are subsequently discovered in the household.

4. Identification of customers' circumstances

4.1. The sort of proactive steps that we would generally expect suppliers to consider in order to identify whether it is safe and reasonably practicable in all the circumstances of the case to offer a PPM to a customer include:

- ~~recording the location of the meter when installed or inspected;~~
- ~~reviewing appropriate notes on the customer's accounts to ascertain whether any vulnerability which would mean it was not safe and reasonably practicable for the customer to have a PPM is recorded;~~
- ~~making multiple attempts to contact the customer by various means and at various times of day to discuss the option of paying through a PPM;~~
- ~~where a discussion with the customer had not been possible or, if following discussion, there was still uncertainty about whether it would be safe and reasonably practicable for the customer to pay through a PPM, the supplier should take reasonable steps to visit the customer at their premises, which could include making visits at various times of day;~~
- ~~checking whether there has been a change of occupancy;~~

- ~~attempting to check with any appropriate advice or other agency such as local authority or housing association; and~~
- ~~obtaining authorisation of an appropriate seniority prior to moving a customer to a PPM .~~

Requirement	Requests	Offers	Involuntary	Uses
Recording the location of the meter when installed or inspected	X	X	X	X
Reviewing appropriate notes on the customer's accounts to ascertain whether any vulnerability which means it is not safe and reasonably practicable for the customer to have a PPM is recorded	X	X	X	X
Making multiple attempts to contact the customer by various means and at various times of day to discuss the option of paying through a PPM		X	X	
Where a discussion with the customer had not been possible or, if following discussion, there was still uncertainty about whether it would be safe and reasonably practicable for the customer to pay through a PPM, the supplier should take reasonable steps to visit the customer at their premises, which could include making visits at various times of day			X	
Checking whether there has been a change of occupancy		X	X	
Attempting to check with any appropriate advice or other agency such as local authority or housing association		X	X	
Obtaining authorisation of an appropriate seniority prior to moving a customer to a PPM			X	

5. Identification process for Involuntary PPM

5.1. **Debt trigger:** Is as defined in SLC 28.22 ("means, where Charges have been outstanding for three months or more after the date the bill has been issued, and Outstanding Charges are more than the amounts per fuel specified in the guidance issued under SLC 28.4, and the customer is not on, or transitioning, to a repayment plan"). ~~A supplier must not begin any process to install an Involuntary PPM for Charges which have not been outstanding for three months or more after the bill has been issued, or Outstanding Charges are not more than £200 per fuel and the customer is on, or is transitioning, to a repayment plan.~~

5.2. The value of Outstanding Charges owed per fuel must be £200 or more, for the purposes of the Debt Trigger.

Involuntary PPM communications

5.3. To understand a customer's individual circumstances and offer support in the three months preceding any execution of an Involuntary PPM. A supplier must achieve this by:

a) Making at least 10 attempts to engage with a customer using multiple communication channels, where relevant at various times of day.
b) Make translation services and accessible formats (eg braille, large print, easy read) available as required.
c) Multiple communication channels may include: written (email and/or letter), phone (where a number is available), and Site Welfare Visits.
d) A Site Welfare Visit is required at least once in all instances before progression to Involuntary PPM.

5.4. **Site Welfare Visit**: Is as defined in SLC 28.22 ("means a visit to Domestic Customers' premises by appropriately trained staff or representatives to attempt to make contact with the customer to identify and/or further assess personal circumstances and characteristics to identify any vulnerabilities that may be present in the household to determine if PPM is safe and reasonably practicable"). ~~Visit to customers premises by appropriately trained staff or representatives to attempt to make contact with the customer to [further] assess personal circumstances and characteristics to identify any vulnerabilities that may be present in the household to determine if PPM is safe and reasonably practicable.~~

5.5. All communications from a supplier to a customer must be written in a manner which is consistent with good practice on debt communications and supporting customers who are in payment difficulty, and must also encourage engagement with the supplier in all cases.[46] [47]

5.6. Suppliers must accept any relevant information on potential vulnerabilities and a customer's ability to pay from a third party, where offered to the supplier. For example, this may be from the customer's representative (either by the explicit consent from the customer or in the form of a registered and relevant power of attorney) or from support organisations such as Citizens Advice, Advice Direct Scotland and other customer support and debt advice organisations.

5.7. If no contact is made with the customer during the ~~s~~Site ~~w~~Welfare ~~v~~Visit, and all engagement attempts have been exhausted, the supplier may:

(a) proceed with obtaining a Relevant Warrant;or
(b) proceed with remote mode switch.

5.8. However, the supplier must:

(a) Make reasonable attempts to assess any potential vulnerabilities without customer engagement, seeking support from ~~w~~Welfare ~~o~~Officer in ~~e~~Edge ~~c~~Cases if not present; and
(b) Provide further written communication that the visit had been attempted and next steps (ie if Involuntary PPM will be progressed following this attempt).

5.9. Suppliers are required to maintain records of each attempted contact with the customer, and ensure that any personal circumstances and characteristics are recorded appropriately, stored and easily available including on the Priority Services Register.

5.10. Where only a postal address is held for a customer, the full 10 attempts may not be undertaken to avoid harassing the customer, but a supplier must be able to evidence to the Gas and Electricity Markets Authority (the Authority) any attempts to access additional contact details, including email address and telephone number.

Site ~~w~~Welfare ~~v~~Visit, Independent assessment and installation teams

[46] Debt communications messaging: Evidence from customer and behavioural insights | Ofgem
[47] Good practice for supporting customers in payment difficulty | Ofgem

5.11. A supplier is fully responsible for the actions and behaviour of all staff, including any third-party contractors or other representatives, and is required to ensure all staff and any third-party contractors or other representatives are appropriately trained, including in health and safety for their own protection.

5.12. The Authority encourages suppliers to seek external accreditation, such as the British Standards Institute (BSI) and for debt enforcement from the Enforcement Conduct Board (ECB).

5.13. Where a supplier has determined a case may proceed with Involuntary PPM in accordance with any guidance and Licence Conditions, suppliers must ensure each case progressed for installation has been assessed by a team or individual which is independent of the debt recovery and installation teams.

5.14. Suppliers must ensure a Welfare Officer or other senior decision maker able to determine Edge Case decisions must be present or contactable for decision on site welfare and installation visits to check for any personal circumstances or characteristics that might make the PPM not safe and reasonably practicable.

5.15. Suppliers must ensure that all assessments are retained for audit, and their basis for assessment be clear and unambiguous.

5.16. Welfare Officer: A person(s) within supplier organisation with responsibility for overseeing the safeguarding of consumer protection in cases of Involuntary PPM. This may be a senior member of staff related to independent team assessments and must be attested to be fit and proper person(s) capable of making Edge Case decisions.

5.17. Edge Case: Where a supplier considers that the customer's circumstances are on the boundary of safe and reasonably practicable and risk assessment is either not possible or inconclusive.

6. Ability to Pay

6.1. When considering progression to Involuntary PPM, suppliers must consider the cheapest payment option for the customer and attempt to offer this alongside energy savings advice and an affordable, sustainable repayment plan prior to progression to Involuntary PPM.

6.2. Where a customer agrees, and adheres to, a debt repayment plan the supplier must accept this and should not threaten Involuntary PPM to try and secure higher payment than is affordable.

6.3. Where a supplier progresses with Involuntary PPM, they must take all reasonable steps to ensure that any debt repayments recovered via the PPM take into consideration the customer's ability to pay. Where any financial assessment concludes that the customer will be able to afford to pay for ongoing energy needs but not debt repayments, suppliers must consider alternative approaches to recovering the debt such as delaying repayment start (seasonality or change in financial circumstances).

6.4. Suppliers must ensure that any alternative actions taken to recover debt (including bailiffs, CCJs) in instances where a PPM is not suitable for the household remain fair, reasonable and proportionate for the customer's circumstances and level of debt owed.

7. Smart Meters

7.1. Given the significant benefits to PPM customers, suppliers should install smart meters by default when installing under warrant.

7.2. Suppliers must ensure they adhere to Smart Metering obligations in relation to installation of smart meters under warrant, and any other relevant codes or guidance.

7.3. The reason for installing any non-smart PPM meters should be recorded and retained for audit.

7.4. Smart meters allow alternative ways of topping up for prepayment customers that do not require a visit to a top-up outlet. Customers can actively ask for alternative top-up methods so as not to require cash as a payment option. We expect suppliers to ensure that consumers are able to make their choice based on relevant information, including on advantages or disadvantages associated with such a request. We also expect suppliers to give due consideration to a range of factors when applying the safe and reasonably practicable test to a consumer's request to pay by non-cash top-up methods only. These factors may include:

a) Whether the customer has access to a bank account and whether such access is needed to make use of alternative top-up methods
b) The reliability with which the customer can access alternative top-up methods, including the extent to which reliable access to their top-up device is not under threat from their inability to pay. For example, a customer who intends to pay by their mobile phone will be reliant on having reliable access to this service, and needs to be able to afford any charges associated with accessing the top-up service; or a customer who pays online via a desktop may be dependent on having continued access to electricity.
c) Whether the customer seems to need more than one alternative, non-cash way of topping up to ensure they are able to do so.

7.5. An example where it may be considered safe and reasonably practicable to switch the customer to prepayment mode even if the meter is inaccessible to the customer would be if the In Home Display unit or some additional device is accessible and allows all the necessary features of a PPM to be easily accessed by the customer, including the ability to re-enable supply.

7.6. Suppliers should also consider their obligation not to disconnect unless they have first taken all reasonable steps to recover charges through a PPM. Given this requirement, in some circumstances it may be reasonable for measures to be taken which ensure it is safe and reasonably practicable for the customer to use the PPM where the alternative is disconnection.

7.7. What is safe and reasonably practicable can also be considered from the supplier's perspective. However, there are likely to be limited circumstances where we considered it was not safe and reasonably practicable from the supplier's perspective, particularly where the alternative for the customer is disconnection. An example of such a circumstance may be where the customer has had a history of theft of gas or electricity or meter tampering.

8. Information provision for Involuntary PPM

8.1. Suppliers must provide clear supporting information, and top-up provision for any Involuntary PPM. This should include:

a) Provision of any required information, such as how to use the PPM, what to do in the event of self-disconnection and materials needed to top-up. ie the customer must be offered help to install and start to use a smart phone app where applicable, or provided with information on how to use top up cards/keys. The supplier must use translation services and make accessible formats available as required.

b) Access to appropriately trained, priority customer service team, through an easy access route.

c) Links to any relevant information on supplier website.

9. Post installation of a PPM

9.1. The ~~sort of~~ proactive steps that ~~we would generally expect~~ suppliers ~~to~~ must follow after putting a customer on a PPM in order to ensure it is safe and reasonably practicable for the customer include:

- ~~where technically feasible, monitoring whether the customer is self-disconnecting.~~
- ~~where it is identified that the customer is self-disconnecting, making multiple attempts to contact the customer by various means and at various times of day to understand the reasons for this.~~

9.2. ~~Where it becomes apparent that the reason for self-disconnection is that it is not safe and reasonably practicable for the customer to use a PPM, then the supplier should make alternative arrangements.~~

a) The supplier must monitor top-up and disconnection patterns. When self-disconnection occurs, in line with existing SLCs and guidance, suppliers must make multiple attempts to contact the customer using various contact channels to understand the reasons for self-disconnection and offer appropriate support including sufficient Additional Support Credit (ASC) amounts and frequencies.

b) If frequent or prolonged periods of self-disconnection are identified and the customer is considered reliant on ASC to remain on supply (exceeding supplier policies of number of or frequency of ASC), suppliers must assess whether PPM remains S&RP in line with this guidance.

10. Post Installation of Involuntary PPM and Aftercare

10.1. **Involuntary PPM Credit**: Is as defined in SLC 27.A9 ("means an amount of credit, or equivalent non-disconnection period, to be specified in guidance to be provided automatically upon installation of an Involuntary Prepayment Meter in accordance with SLC 28.7"). On each occasion a supplier installs an Involuntary PPM, a supplier must provide the Domestic Customer with a repayable £30 credit per meter (or equivalent non-disconnection period). This Involuntary PPM Credit will help remove the risk of the Domestic Customer going off supply due to any issues or challenges using the newly installed PPM. Any equivalent non-disconnection period must not disadvantage the customer by putting them into a negative balance, which must then be repaid before a positive balance is realised upon top-up.

10.2. Following installation of an Involuntary PPM, the supplier must seek to speak to the consumer. In attempting to make contact the supplier must make at least three attempts via multiple channels (where possible) to contact the customer in the first fortnight. This must include:

a) Initial attempt within the first three days
b) Checks on customer understanding, technical and physical ability to top up and use the meter and for smart, checks on understanding of how to top up via their PPM Interface Device (PPMID) or smart phone app.
c) Where a consumer relies on PPMID for top up, the supplier must make sure to offer a replacement or to repair if the PPMID is faulty.~~breaks.~~
d) Confirmation that the customer has been provided with information on support that is available (including suitable third-party support).

10.3. In the event that attempts at contact have been unsuccessful, suppliers should ensure that that written communication containing the information has been provided.

~~The supplier must monitor top-up and disconnection patterns. When self-disconnection occurs, in line with existing SLCs and guidance, suppliers must make multiple attempts to contact the customer using various contact channels to understand the reasons for self-disconnection and offer appropriate support including sufficient Additional Support Credit (ASC) amounts and frequencies.~~

~~If frequent or prolonged periods of self-disconnection are identified and the customer is considered reliant on ASC to remain on supply (exceeding supplier~~

~~policies of number of or frequency of ASC), suppliers must assess whether PPM remains S&RP in line with this guidance.~~

10.4. Where a supplier proceeds with Involuntary PPM in a way that does not comply with guidance and the licence conditions, the supplier will offer to remove the PPM / switch a smart meter back to non-PPM mode and offer compensation reflective of any detriment suffered.

11. Internal processes (After Involuntary PPM)

11.1. All assessment documentation and audio/body camera recordings are to be retained for a minimum of five years.

11.2. Retention period is to ensure evidence of practices if subject to investigative action and aligned with Electricity Act 1989 and Gas Act 1986 for penalty contravention time-period and requirement for production of documents.[48] This also allows customer confidence that complaints ~~which can be made up to five years after an incident,~~ can be adequately assessed.

11.3. Documentation to include, but not limited to:

a) PSR checks completed;
b) Copies of all written contact;
c) Summary of all verbal contact; and
d) Copies of any relevant recordings.

11.4. Suppliers must conduct monthly Quality Assurance of a sample of Involuntary PPM cases.

11.5. This must include additional proactive assessment of all identified erroneous or non-compliant Involuntary PPM.

11.6. Suppliers must incorporate failings identified in QA assessments to drive continuous improvements in training and processes.

[48] Penalty contravention time period EA1989: S27C and GA1986 S30C; Production of documents EA1989 S28(2) and GA1986 S38