

Consultation Response

Statutory Consultation – Involuntary PPM

Office of Gas and Electricity Markets (Ofgem)

July 2023.

Contact: david.southgate@ageuk.org.uk

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Age UK
7th Floor, One America Square
17 Crosswall
London
EC3N 2LB
T 0800 169 87 87 F 020 3033 1000
E policy@ageuk.org.uk
www.ageuk.org.uk

Age UK is a charitable company limited by guarantee and registered in England (registered charity number 1128267 and registered company number 6825798). The registered address is 7th Floor, One America Square, 17 Crosswall, London, EC3N 2LB

About this consultation

In response to public pressure Ofgem agreed a moratorium with suppliers on the practice of involuntary prepayment meter (PPM) installations (commonly referred to as forced PPM installations) and rolled out an Involuntary PPM Code of Practice (CoP) in April 2023. The regulator launched this consultation to collect stakeholder views on its new proposal to make the CoP a permanent feature of supplier licence conditions. The regulator's goal is to implement this change before winter 2023/24.

Key points and recommendations

- Age UK believes that the only feasible long-term solution is a full ban on the forced installation of PPMs. Being forced onto a PPM can leave people living in fear of being unable to top up their meter, ultimately leading to some of the most vulnerable people in society 'self-disconnecting' just at a time when they most need the security of having a stable electricity or gas supply.
- In the absence of a full ban, the addition of the CoP to licence conditions is an acceptable stopgap.
- We are hopeful this will cut the rate of forced installations, reduce malpractice, and bring greater consequences for those who flout the rules. Ofgem should create a series of measures to evaluate the impact of the CoP, and be poised to act swiftly if further change is needed.
- In the medium term, Ofgem must then follow this up with a permanent ban on switching customers to a PPM both under warrant and switching smart meters to prepay mode.
- This will ensure older people are no longer forced into switching off their heating and power when they run out of meter credit.
- As part of the ban prepay households should be offered an amnesty, to include having their PPM uninstalled free of charge and receiving adequate compensation.
- Ofgem must heed our evidence in support of adding people aged 65+ to the 'do not install list' of the accompanying 'Safe and Reasonably Practicable' guidance.
- We believe that forced PPM installations for those older people who are in debt and more likely to go off supply could be in breach of licence condition 27.10, which is designed to curtail suppliers from disconnecting pensioners over the winter. Ofgem should consider this as a matter of urgency, and produce guidance for suppliers ahead of this winter.

About Age UK

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.

Introduction

We welcome the opportunity to respond to this consultation¹. An involuntary prepayment meter (PPM) installation is where a PPM is fitted under warrant or where a supplier remotely switches a smart meter to prepay mode without the customer requesting it. This practice, which we refer to as a forced install, is often instigated in cases where customers are at their most vulnerable – having fallen into energy debt and either having been unable to put a repayment plan in place or having defaulted on an existing plan². This practice was rightly brought to national attention earlier this year by investigations from the i newspaper³ and undercover footage from the Times⁴.

In response, Ofgem agreed a moratorium with suppliers and rapidly rolled out an Involuntary PPM Code of Practice (CoP) in April⁵. Age UK fed into the design of this existing CoP and welcomed Ofgem's attempts to rectify the malpractice associated with involuntary PPM installations. The latest proposal from the regulator is to officially bring the CoP into supplier licence conditions.

While we continue to argue for a full ban on forced installs⁶ the addition of the CoP to supplier licence conditions would represent a clear line in the sand for suppliers. We are hopeful this will cut the rate of forced installations, reduce malpractice, and bring greater consequences for those who flout the rules.

Nevertheless, we continue to believe that a permanent ban on switching customers to a PPM under warrant and mandatory switching of smart meters to prepay mode is the only viable solution to this problem. Even if the CoP is fully enforced and suppliers do everything in their power to help, there will still be vulnerable consumers who fall through the cracks and end up with no electricity or gas at a crucial time. We also believe that a PPM amnesty should be established so that all households with a PPM are given the opportunity to have it uninstalled free of charge, and to receive adequate compensation⁷. If

Ofgem is unwilling or unable to stop the practice of force fitting PPMs then the Government must step in to put an end to it itself.

Prepay customers are often some of the most vulnerable to the impacts of living in a cold home. While 10.5% of people paying for their electricity by Direct Debit are in fuel poverty the figure for PPM users is almost three times higher (27.8%)⁸. Polling indicates that more than half (51%) of PPM customers have a disability or long-term health condition⁹. Our own estimates suggest that at least 600,000 households with a resident aged 60 or older rely on a PPM to pay for their central heating¹⁰, although the true figure is likely much higher¹¹.

It is important that we remember what a forced installation often means in practice – a supplier forcibly entering the home of a person who is struggling financially to remove their energy meter and hook up an alternative pay as you go option, even though the customer is unlikely to have enough money to top it up. To make matters worse, many older people we speak to also experience barriers to accessing pay points and top up services, or struggle to access cash, making it even more difficult for them to meaningfully engage with their prepay meter.

When prepay customers run out of money to put on their meter, sooner or later they will lose access to their supply. In practice, this means many older people will spend long periods of the winter foregoing lights, essential appliances (e.g. fridges, ovens), and heating. Indeed, last winter we heard from many older people in desperate circumstances who sat in cold dark homes for weeks at a time over December and January because they simply did not have any money left to top up their meter¹².

This is despite the fact that formal disconnections for much of our older population are rightly banned over winter. Between 1 October and 31 March licence condition 27.10¹³ forbids suppliers from disconnecting households for unpaid charges where all the occupants are over State Pension age. This throws into question how effective 27.10 can be if a supplier can skirt around it by forcing indebted older people onto a payment method which leaves them disconnected from their supply when they run out of money. Ofgem must urgently consider whether forced PPM installations therefore breach this licence condition, and issue the appropriate guidance to suppliers ahead of the winter.

While bringing the CoP into licence conditions will reduce the risk of PPMs being force fitted into the homes of vulnerable older people, it is the practice itself which is fundamentally flawed. It is designed to allow suppliers to target the most financially vulnerable customers, forcibly enter their homes, and then compel them to pay for their energy in a way which tacitly encourages them to switch off their electricity and gas rather than put further debt on supplier books. With this winter looking just as bleak as the last for those struggling¹⁴ we run the risk of thousands of older people once again sitting in dark

cold homes through the winter months reliant on a PPM they did not want and cannot afford to top up.

We would be happy to work with the Government and Ofgem to devise a safer and more decent way of supporting those older people who, at these times of completely unmanageable energy bills, have fallen into debt. We would encourage that the energy sector collectively learns from debt collection practices across other essential services, such as the water industry – where debt is still collected but without using a system which implicitly accepts the tremendous risk of people switching off their supply.

To be clear, we support Ofgem's efforts to bring the CoP into licence conditions, but we see this as a necessary first step on the road to banning this practice altogether. Our response below reflects what needs to be done in the meantime to ensure Ofgem's updated PPM licence conditions are as successful as possible.

1. Do you agree with our proposals to integrate the Code into the supply licences? AND 2. Do you agree with our approach to integrating the relevant parts of the Code into the Safe and Reasonably Practicable guidance?

We agree with Ofgem's proposal to integrate the CoP into supplier licence conditions. We are hopeful that alongside proactive enforcement the CoP will help cut the rate of forced installations, reduce malpractice, and bring greater consequences for those who flout the rules.

As part of bringing the CoP into supply licences Ofgem must clearly delineate the 'Safe and Reasonably Practicable Guidance' associated with licence condition 28¹⁵ as a mandatory component of the licence changes. Otherwise, key components like the 'do not install' and 'further assessment needed' categories¹⁶ could be seen as recommended best practice rather than compulsory. We have previously raised our concerns regarding Ofgem's appetite for proactive oversight and enforcement and its focus on principles based, rather than prescription based, regulation¹⁷ so we are keen to ensure the guidance is mandatory.

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

Ofgem's 'do not install' category is part of the accompanying 'Safe and Reasonably Practicable Guidance' associated with licence condition 28¹⁸. If properly followed, it effectively bans forced installations for specific customer groups and sets up a secondary category of 'further assessment needed' which entails a more thorough evaluation of a

customer's circumstances before installation can proceed. As stated, our position is that all households should be in the 'do not install category' as the practice of forced installs should be banned, but in the meantime, we want the regulator to add everyone aged 65+ into this category.

As we have already explained, forced PPM installations facilitate self-disconnections for low-income older households, because a PPM with no credit results in the heating and essential appliances, such as a refrigerator, going off. Allowing forced installs for the older population further exposes them to the risk of living in a cold home, despite licence condition 27.10¹⁹ preventing pensioners from being disconnected over winter (see our introductory comments).

This is not just an issue affecting the over 85s. In January around 4.7 million older people, almost a third (29%) of people aged 60+, reported their home was too cold most or all of the time²⁰. In response many sought shelter from the cold elsewhere. In January 5% of those aged 60+ (or around 800,000 older people) reported that they had had to recently leave their home to keep warm²¹ – making use of public spaces like libraries, shopping centres, and warm banks. Public Health England (PHE) delineate pensioners as one of two age groups that are more vulnerable to the health impacts of living in a cold home²² (the other being those aged under 5).

While it is difficult to accurately attribute a precise figure to the proportion of older people who lose their lives due to cold homes, the fact is that consistent exposure comes with the risk of serious health consequences and can potentially be fatal²³. Evidence from last year's Marmot Review shows that cold homes can exacerbate respiratory, cardiovascular, and wider health conditions²⁴. The Review also pointed out that for older people colder temperatures can cause an increase in blood pressure, lower strength and dexterity, and exacerbate symptoms of arthritis. Importantly, older people's baseline body temperature is generally lower²⁵, increasing the risks associated with prolonged exposure to the cold. Research also indicates that there is a relationship between the energy efficiency of older people's homes, winter respiratory symptoms, and related hospital admissions²⁶.

Given these health risks, and the fact that Ofgem's licence condition 27.10 recognises the risks associated with disconnecting those aged 65+, we strongly recommend the regulator include all those aged 65+ in the do not install category. This would rightly include all those aged 85+ as well. Ofgem should also protect other groups who are at greater risk and would benefit from a 'do not install' policy, especially children and those with disabilities and long-term health conditions.

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- ⁸ DESNZ, 2023. Fuel poverty detailed tables 2023 (2022 data). Department for Energy Security and Net Zero. [Online]. Available at: <https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2023-2022-data>. [Accessed 25/09/22]. Table 33. This is based on electricity customers, not dual fuel or gas.
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- ¹¹ We are aware that the energy price crisis has resulted in an increasing number of PPMs being installed. Up until relatively recently around 10,000 were being fitted every month with an estimated 4.5 million homes using a PPM across the UK. This means our estimates may understate the number as they come from the latest age sensitive data available (2020/21). For more details see [Keeping the Lights on report](#), page 9.
- ¹² Age UK has an online community of around 380,000 campaigners who encourage the Government to listen and take action on the issues that matter most to older people. We also contact them from time to time to find out about their views. We wanted to include a couple of their answers from recent surveys to provide some context in their own words: “I have to cut down on so many things including food shopping and electricity; I have a gas prepayment meter. No Christmas presents for family members including my grandchildren. It will not be a good winter at all.” **Anonymous**. “I was in arrears from last year, so I didn’t put the heating on at all this winter. I was freezing, using a hot water bottle and blankets, and it created damp and mould in my rented flat, (and I have worsened asthma) and I was breathing out white breath for months.” **Anonymous**.
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