

National Energy Action (NEA) response to Ofgem Statutory Consultation – Involuntary PPM

About National Energy Action (NEA)

NEA¹ works across England, Wales and Northern Ireland to ensure that everyone in the UK² can afford to live in a warm, dry home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

Background to Our Response

Over the last 9 months, NEA has worked with Ofgem to identify poor practice in the installation of prepayment meters in the energy market, and to secure a voluntary agreement to begin to rectify poor practice. We are pleased that Ofgem are acting to move this agreement into the licence to ensure that it is enforceable.

We previously stated that there are three strands of work that need to be completed by Ofgem to address the concerns that have been consistently raised in the market:

1. The market compliance review related to the forced installation of prepayment meters must be robust.
2. Ofgem must clarify and tighten rules and protections regarding prepayment meter installations.
3. Ofgem must undertake a 'root and branches' review of the prepayment meter market.

We are satisfied that the market compliance review is robust, and that the rules and protections are being clarified through the ongoing process, including through this statutory consultation. However, we continue to believe that a more thorough review of the prepayment market is required. There is still a question over the adequacy of prepayment meters with respect to their use as both a debt collection mechanism, and a way to protect the revenues of energy suppliers. Ofgem and the UK Government must investigate whether legacy prepayment meters are fit for purpose.

This response focuses on the second of these strands of work, which is addressed in more detail below.

Summary of Our Response

In our response to the call for evidence preceding this statutory consultation, we stated that there were three objectives that needed to be achieved:

- An increased level of prescription in the licence, particularly in relation to ensuring installations are “safe and reasonably practicable”.
- An enforceable definition of the types of households that should never have a prepayment meter installed under warrant, beyond those with mental health issues (who are already protected explicitly in the licence).
- Clarity over the equivalence of remote switching of smart meters to prepay mode and the installation of legacy prepayment meters, both with and without a warrant.

Below is an assessment of whether the statutory consultation meets these objectives

An increased level of prescription

NEA previously argued that the supplier licences currently take a principles-based approach to regulation. For the installation of prepayment meters, this manifests itself in a principle that a supplier must ensure that a prepayment meter is safe and reasonably practicable for the customer before its install. Guidance existed, but it was not particularly clear, and the drafting of the licence with regards to the guidance meant that enforcement was against non-compliance was difficult. We said that while in some parts of the licence, the principles-based approach works well, with the installation of prepayment meters, the outcome is not individualised customer service. It is varying protections for vulnerable customers across energy suppliers. And for forced installations, there is no argument for a principles-based approach, as this is a unilateral supplier decision with no customer consent, and therefore there is no customer service advantage gained by avoiding prescription. Furthermore, the installation of prepayment meters, when coupled with financial vulnerability (which they necessarily are) and health vulnerabilities, can lead to ill health where self-disconnections occur and are sustained. This, in some cases, could lead to a loss of life. If ever there was a case for prescription, it is where decisions that suppliers are life and death decisions for their customers.

The changes set out in the statutory consultation make good progress towards a more prescriptive approach. The reference to the guidance is stronger, and the requirements that suppliers must meet are clear. NEA would prefer that some of the proposed guidance be more explicitly in the licence, but this should not come at the detriment of strengthening the licence before the winter.

Explicitly banning forced installations for certain types of households

NEA previously argued that there are some groups that should be explicitly exempt from the forced installation of prepayment meters, including:

- Patients that are medically dependent on powered medical equipment to stay healthy at home.
- Households including a person with respiratory disease
- Households including a person with cardiovascular disease
- Households including a person with mental ill health
- Households including a person with sickle cell disease.
- Households including a person with issues with Nutrition.

The safe and reasonably practical guidance that has been published in this statutory consultation includes a firm exemption for most of these groups, with the exception of those with issues with nutrition (although this is implicitly included within other categories). NEA subsequently argued that those with terminal illnesses should be included, which Ofgem have now included in the draft guidance.

The consultation asks whether children under 5 should be included in the high risk group. NEA believes that Ofgem should follow the advice of health professionals on this point and move this group to 'high risk'.

Equivalence for Smart Meter Remote Switching in the Licence

While a prepayment meter is defined as "*any Electricity Meter operating in a mode which requires a Customer to pay Charges in advance, and references to the installation or removal of a Prepayment Meter includes the switching of any Electricity Meter to or from such a mode*", implying that smart meter remote mode switching is equivalent to a legacy prepayment meter install, we previously said that that two changes to the licence are needed to clarify this, and strengthen protections.

Firstly, Ofgem should either make all references in the licences to prepayment meters explicitly related to smart meters as well or issue their expectations regarding the definition above to suppliers in written form, to ensure that all suppliers are aware that the licence makes no separation for legacy prepayment installs and smart prepayment mode switching in general. We feel that the correspondence surrounding the voluntary agreement satisfies this ask.

Secondly, the licence currently does not provide equivalent protection for unconsented legacy prepayment meter installations (i.e., warrant installs), and unconsented smart meter mode switches. Ofgem must improve the licence so that any protections give for installations under warrant are extended to smart meter mode switches that happen without customer consent. There is no material difference in outcomes between the two procedures for the customer, therefore there should not be a difference in protections offered. We are satisfied that the drafting addresses this.

Additionally, we are pleased that the new guidance maintains the 'smart by default' approach that was taken in the voluntary agreement.

Answers to the Consultation Questions

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

Yes, NEA agrees with the proposal to integrate the code into the supply licences. It is extremely important that the Code becomes enforceable to ensure that it is meaningful in the long term. While NEA may not agree with all parts of the code, and would prefer it to be stronger, we believe that it is more important to ensure it is enforceable before the winter than to get it to a state of perfection.

Q2: Do you agree with our approach to integrating the relevant parts of the Code into the Safe and Reasonably Practicable guidance?

NEA broadly agrees with integrating the relevant parts of the Code into the Safe and Reasonably Practicable guidance, although would prefer if it was directly within the licence itself. However, we do not propose to do take this option if it would delay the implementation of the licence change.

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

NEA believes that over 85s should be retained in the do not install category. Ofgem has not provided any evidence as to why they should not be in this category, and the NICE NG6 guidance clearly states that older people are specifically more vulnerable to the impacts of living in a cold home. Arguably, a greater number of older people should be added to the do not install category – NICE categories at risk older people as 'over 65s'.

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

NEA agrees with the views of the medical professionals that Ofgem engaged with regarding moving young children to the do not install category.

Q5: can you provide any further evidence on the potential costs and benefits of our proposals.

NA

Q6: We are consulting separately on an increased Additional Support Credit allowance to mitigate any impacts on bad debt. Do you have views on how we can ensure suppliers spend this ASC allowance to help PPM consumers stay on supply?

NEA believes that if suppliers are to be given an additional allowance to provide ASC to prepayment customers to keep them on supply, there should be a requirement for suppliers to report on these activities, in particular the amount of ASC debt they have written off as a consequence of this allowance. This is data that suppliers will have to provide to Ofgem in any case, as part of the true up process. Making this data public, or at least accessible to consumer groups and charities, would provide a reputational incentive to ensure that suppliers are using the funding in ways that benefit their customers in the most appropriate way.

¹ For more information visit: www.nea.org.uk.

² NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.