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Dear Martin and Lauren,

STATUTORY CONSULTATION – INVOLUNTARY PPM

Thank you for the opportunity to respond to your statutory consultation on involuntary PPM.

Integrating the Code of Practice into licence conditions

ScottishPower has incurred significant additional bad debt costs as a result of the PPM moratorium and it is clear that compliance with the Code of Practice (CoP), or associated licence conditions and updated guidance, will result in higher levels of unrecoverable bad debt going forwards. Ofgem has declined to provide any additional bad debt allowance (other than ASC) with effect from October 2023, committing only to a possible consultation in the Autumn at the earliest, depending on the outcome of RFI responses received in August. Our agreement to sign up to the voluntary CoP was subject to Ofgem taking steps towards appropriate debt recovery mechanisms.

Accordingly, we are unable to agree with Ofgem's conclusion that option 2, integrating the Code of Practice into supply licence conditions and updating the guidance should be implemented. Furthermore, the speed at which Ofgem has done the licence drafting and the number of changes relative to what suppliers provisionally signed up to in the voluntary CoP create a significant risk of unintended consequences. Relying on suppliers to pick up such issues during the statutory consultation is not a robust approach. Whilst we understand why Ofgem wants these matters to be in the licence, we do not believe there is a compelling need for the expedited timeline at the expense of appropriate and considered requirements that work well for both suppliers and customers.

Proposed licence modifications

Our answers to the consultation questions, including our views on the details of the licence drafting and guidance are in Annex 1. We have provided detailed comments on the draft licence conditions and updated guidance and suggested amendments for consideration in Annex 2. We have many more comments on the draft licence conditions and guidance than we would normally expect to have at statutory consultation stage,

which reinforces our concern about the risk of unintended consequences. We flag the following points that give us significant concern.

1. Ofgem's proposed amendment to SLC 28.15 has the effect of extending the protections of the "Proportionality principle for debt recovery activities" in a way that has not been consulted on and which we do not believe reflects Ofgem's intent.

2. The guidance is silent on any differences between gas and electricity and from Ofgem's drafting, the gas and electricity licence conditions are identical. We consider Ofgem should make amendments to take account of any of the characteristics which could mean a gas PPM may be suitable where an electricity PPM would not be, or vice versa (assuming there are no other relevant characteristics that would impact the appropriateness of PPM for the alternative fuel).

3. Ofgem's guidance has extended paragraph 2.1 of the CoP from an "encouragement" to assess whether a PPM is safe and practicable for households with adults over 65 or children under 16, to a "must ensure" requirement, with no consultation on the requirement that would have allowed stakeholders to provide comment. The licence conditions include an obligation on suppliers to ensure that PPM is safe and practicable for all customers taking account of relevant characteristics and circumstances and we see no reason for Ofgem to include a requirement for "additional checks" above this for these two customers groups.

Ofgem asks whether the "do not install" category should be extended to include households with children under 5, or with adults over 75 (rather than over 85). We do not agree with extending the categories. While we are aware of the concerns raised with Ofgem by some third parties, there are many households in these categories who are capable of using a prepayment meter, and to extend the prohibition of prepayment in any circumstances to greater households who would pass the safe and practicable test risks creating greater levels of bad debt needing recovered from other consumers. We support retaining these categories within the further assessment needed category where checks on affordability alongside safe and practicable use of a prepayment meter should be sufficient protection and limiting the gaming risk we consider could be particularly associated with the under 5 category.

<u>Impact assessment</u>

The Impact Assessment (IA) used to assess the costs and benefits and support implementation of the Code of Practice into the licence contains many highly speculative assumptions. We have summarised our concerns in Annex 1, but would also highlight that the IA does not adequately consider supplier financeability. Even if Ofgem were to agree to a price cap adjustment that recovered only average costs, the time lag to recovery would require additional working capital, and suppliers with higher than average bad debt costs would still be adversely affected. Ofgem's assumption that all increases in bad debt costs pass to other customers with no financial impact on suppliers is flawed.

However, we support the principle that bad debt increases should pass to other customers and welcome Ofgem's commitment to continue using suppliers' RFI data to consider and correct for the full extent of bad debt. We expect that Ofgem will continue to issue RFIs to uncover the full extent of this crisis over time. We expect Ofgem to pay more consideration to fairness between suppliers and the implementation of a levy or other bespoke mechanism and would be happy to discuss this in more detail with Ofgem.

Please do not hesitate to contact me or my colleagues Dena Barasi and Rhona Peat to discuss this further.

Yours sincerely,

Richard Sweet
Director of Regulatory Policy

Annex 1

STATUTORY CONSULTATION – INVOLUNTARY PPM
- SCOTTISHPOWER RESPONSE

Section 4. Code integration: licence condition modifications

Question 1. Do you agree with our proposals to integrate the Code into the supply licences?

Overarching view

Our agreement to sign up to the voluntary CoP was subject to Ofgem taking steps towards appropriate debt recovery mechanisms. Ofgem has declined to provide any additional bad debt allowance (other than ASC) with effect from October 2023, committing only to a possible consultation in the Autumn at the earliest, depending on the outcome of RFI responses received in August. As a result, we are unable to agree with Ofgem's conclusion that option 2, integrating the CoP into supply licence conditions and updating the guidance should be implemented.

Subject to the above point, we have a number of comments on Ofgem's approach to translating the CoP into licence conditions, some of which are common to our response to Question 2 regarding Ofgem's approach to translating elements of the CoP into the new PPM Guidance.

As we shared at the time of developing the CoP, the changes incorporated within the Code were proposed, consulted on and implemented in very short timescales, and without the usual process required for changes to the regulatory framework. Despite the CoP being agreed by all suppliers in mid April, due to the ongoing process which places significant conditions on suppliers for restart of involuntary PPM, no supplier has yet used the new process in practice.

At the time of the CoP being developed, Ofgem confirmed that it intended consulting on translating the CoP to formal licence condition requirements in time for the coming winter. However, Ofgem only consulted on its approach in late June and allowed only a four week period for stakeholders to review. If Ofgem had taken the approach of retaining the CoP in its current format, four weeks may have been sufficient; however, its approach of splitting the CoP requirements across both licence conditions and guidance this creates more scope for unintended consequences. For example, our review has identified areas of inconsistency between the CoP, the new licence conditions and guidance, and also areas where the current drafting extends the scope of existing licence conditions, each without any explicit consultation. We are concerned that Ofgem's four week period for review may prove insufficient to ensure the changes have suitable scrutiny from stakeholders, which could create enduring issues which will need to be addressed. While Ofgem does reference this risk in its justification of using the guidance, which is easier to update than licence conditions, we remain concerned about the speed of change and the potential for unintended consequences.

Specific comments on the draft licence conditions

We set out in Annex 2 detailed comments on the draft licence conditions (and the updated guidance) and note that we have many more comments than we would normally expect of draft licence conditions and guidance shared at the statutory consultation stage of the process, where we would normally expect limited comments to be required.

While many of the drafting points are minor there are some that must be addressed by Ofgem to ensure it does not change obligations on suppliers without due consultation and assessment, or create unintended impacts on consumers. With regard the draft licence conditions, we would highlight in particular the following points.

Extension of the "Proportionality principle for debt recovery" obligations

Ofgem's amendments to the drafting of SLC 28.15 has extended the protections of the "Proportionality principle for debt recovery activities" without consultation and we do not consider it to be Ofgem's intention.

In particular, Ofgem's drafting now also requires supplier actions in the debt journey, and the costs we seek to recover as a result, to be proportionate in the context of the customer's ability to pay. This creates a new obligation that could be interpreted to mean that suppliers would not be able to fully recover costs incurred within the debt journey where customers have affordability issues rather than allowing repayment plans for the full amount of the costs based on the customer's ability to pay. If Ofgem proceeds with this change, this would be a further action to limit suppliers' recovery of costs and therefore an additional trigger for increases in bad debt. We do not think this is appropriate and doubt that it is Ofgem's intention. Where a customer has affordability concerns, within SLC 27.8A d) suppliers already face obligations to ensure repayment rates are set taking account of a customer's ability to pay or, where a customer does not engage, that any default repayment amount being set is reasonable.

We understand that Ofgem's intention is to ensure that suppliers' actions are proportionate with regard the customer's ability to pay; however, we consider the requirements of the Precautionary Principle within the guidance in paragraphs 3.12 to 3.14 already covers the requirements within the Code of Practice. If Ofgem is seeking to go further with the protections offered by the Proportionality Principles in SLC 28.15, it must consult on these changes explicitly to ensure that it understands the full impact of any changes, including to the potential bad debt that must be recovered from other consumers where suppliers are limited in the recovery of costs incurred in the debt journey.

Definition of Involuntary Prepayment Meter

Ofgem's definition for Involuntary Prepayment Meter appears unnecessarily complex and we think there is a real risk that this could result in it being counterproductive to the aims Ofgem has in relation to consumers being switched to prepayment without consent.

For example, the definition creates limitations on when a prepayment switch would be captured by the definition by including reference to a number of the actions that suppliers must undertake prior to an Involuntary PPM. Therefore, if those referenced actions are not undertaken, the switch would therefore fail to meet the definition and the protections would fail to apply.

We think the definition should be much simpler and align more closely to that used in the CoP, and we have included alternative drafting in Annex 2.

In addition to the above point, we would also highlight that the current drafting creates additional restrictions on when suppliers would be allowed to switch a smart meter prepayment mode without customer consent. This relates to the references to "compliance" with the payment methods in SLC 27.6 a) i) and ii). Suppliers must only offer these to customers in payment difficulty, and there is no requirement that customers would have been on those payment methods prior to the switch to prepayment.

Inclusion of definitions of defined terms in the licence conditions rather than guidance

We think Ofgem should include the definitions for any defined terms within the licence conditions rather than cross referring to guidance. There are a number of areas where this is the case, each of which is an important term in understanding the requirements of the licence conditions.

While we understand Ofgem's approach to splitting the CoP requirements between licence conditions and guidance, we would expect that specific definitions used in the licence conditions would have their meanings included in the licence conditions to avoid the reader having to cross refer to another document. Guidance is normally used to provide the reader with clarifications of how actions are expected to be undertaken, rather than providing key definitions of terms.

In each case, we have proposed amendments to the drafting to remove the unintended consequences we have identified in Ofgem's drafting.

As we have noted above, we remain concerned that there may be other areas which we have missed due to the short timescales for review and the approach to splitting the CoP across licence conditions and guidance which by nature becomes more complex for stakeholders to review.

Section 5. Code integration: PPM Guidance (Safe and reasonably practicable)

Question 2. Do you agree with our approach to integrating the relevant parts of the Code into the Safe and Reasonably Practicable guidance?

As we note above, our agreement to sign up to the voluntary CoP was subject to Ofgem taking steps towards appropriate debt recovery mechanisms. As a result, we are unable to agree with Ofgem's conclusion that option 2, integrating the CoP into supply licence conditions and updating the guidance should be implemented.

Subject to the above point, we have a number of comments on Ofgem's approach to translating the CoP into the Safe and Reasonably Practicable guidance, some of which are common to our response to Question 1 regarding Ofgem's approach to translating elements of the CoP into licence conditions.

As we note in our response to Question 1, we remain concerned that the limited time for review and the scale of change proposed by Ofgem is creating significant risk of unintended consequences including as a result of areas of inconsistency between the CoP, the new licence conditions and guidance, and also areas where the current drafting extends the scope of existing licence conditions, each without any explicit consultation. We are concerned that Ofgem's four week period for review may prove insufficient to ensure the changes have suitable scrutiny from stakeholders which could create enduring issues which will need addressed. While Ofgem does reference this risk in its justification of using the guidance which is easier to update than licence conditions, we remain concerned about the speed of change and the potential for unintended consequences.

Use of guidance rather than licence conditions

While we accept that there is material that is not proportionate for inclusion in the licence conditions, we are also concerned the scale of requirements set out in the guidance which suppliers must "at all times have regard to" could create a number of risks for suppliers. In particular we would highlight the following points.

Timescales for changes to guidance

One of Ofgem's justifications of using guidance rather than licence conditions is the ability to make changes in shorter timescales than would be required to vary licence conditions. While we agree with this statement, we are concerned that Ofgem appears to be using this as mitigation for the risk of implementing new requirements on suppliers in incredibly short timescales, which limits the opportunity for full assessment.

There are no specific timescales set out in SLC 28.4 around the process of consultation under which changes to the guidance would be made, however recent experience of Ofgem's approach to other licence conditions with accompanying guidance suggests a period of 10 working days could be proposed. We consider that Ofgem should allow a minimum of four weeks for consultation to allow full scrutiny of any proposed changes, unless it has justification that its guidance is causing significant consumer or supplier harm which requires urgent action. We would however expect that such a situation would be unlikely where draft amendments have gone through full consultation. Hence our concern in this case.

We do not consider 10 working days to be a sufficient period for stakeholders to review, understand and comment on changes. It will also be important that Ofgem considers suitable implementation timescales for changes. While minor changes may have little impact, many of the topics within the guidance may take longer for suppliers to prepare for and implement.

Rights for suppliers to appeal to the CMA

Finally we would note that changes to licence conditions are generally subject to much greater scrutiny though the statutory consultation process, and importantly, give rise to a right of appeal to the CMA. This framework provides an important level of protection for licensees (and their investors). As a general principle, Ofgem should place such enforceable regulatory obligations, and other key elements of the relevant provisions, in the licence not in guidance.

<u>Specific comments on the draft licence conditions</u>

We have set out our detailed comments on the draft guidance in Annex 2, but would highlight the following points in particular:

1. As we have noted in our response to Question 1, we consider defined terms used in the licence conditions should be in the licence conditions rather than guidance to support the reader in understanding their obligations. The requirement is for suppliers to "have regard" to the guidance, and therefore it is unusual for key elements of the requirements to be in the guidance rather than the licence conditions.

2. The guidance is silent on any differences between gas and electricity and from Ofgem's drafting the gas and electricity licence conditions are identical. It therefore does not take account of any of the characteristics which could mean a gas PPM may be suitable where an electricity PPM would not be, or vice versa (assuming there are no other relevant characteristics that would impact the appropriateness of PPM for the alternative fuel). We think that without amendments to reflect this situation, Ofgem could be constraining the use of prepayment to a greater extent than it intends thus adding to the potential for increasing bad debt as a result of this intervention.

3. Ofgem's guidance has extended paragraph 2.1 of the CoP from an "encouragement" to assess whether a PPM is safe and practicable for households with adults over 65 or children under 16, to a "must ensure" requirement, with no consultation on the requirement to allow stakeholders to provide comment. The licence conditions include

an obligation on suppliers to ensure that PPM is safe and practicable for all customers taking account of relevant characteristics and circumstances and we see no reason for Ofgem to include a requirement for "additional checks" above this for these two customers groups.

4. Ofgem has extended the recommendation to retain audio and body cam footage for five years to a requirement without any explicit consultation. We consider the previous drafting should be retained and if Ofgem considers the minimum requirement should be extended, it should consult with stakeholders to understand the implications.

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

We think that "over 85" is the right age threshold for assessing "do not install" for elderly customers and do not consider Ofgem should make changes. We expect in most cases, over 85s would likely fail the safe and reasonably practicable test for other reasons than age, and therefore it could be argued that it is not necessary to include them in the "do not install" category, however we are not minded to suggest this as an action for Ofgem to pursue.

We note the reference in Ofgem's consultation that some stakeholders argue for the threshold to be reduced to "over 75" for do not install. We do not agree with this. In our experience, many over 75s are capable of using a prepayment meter safely and therefore including them in the "do not install" category could remove a good option to support these customers in getting out of a debt situation. As we note above, customers in this age band with other relevant vulnerabilities would fail the safe and practicable test and therefore be protected where prepayment is not suitable for their circumstances, and their inclusion within the "further assessment needed" category provides further protections by requiring suppliers to take account of the interaction of financial vulnerability on that customer's circumstances before progressing with an Involuntary PPM. We consider this to provide sufficient protection and do not think it would be appropriate for Ofgem to extend the "do not install" category to greater numbers of elderly customers.

Question 4. Can you provide evidence on whether we should include children under the age of 5 in the 'do not install' category?

While we recognise the potential harm to some young children as a result of their home self-disconnecting, we consider this harm is only a risk for households with financial vulnerability, who would already be covered by the Further Assessment Needed (FAN) category.

Given the large number of households in GB with children under the age of five, many of whom are capable of operating a prepayment meter safely and practicably, we are concerned that the impact of these proposals could be significant, with much greater levels of bad debt requiring to be recovered from consumers. As we have shared in earlier engagement on the proposal (in response to an early version of the Code of Practice which proposed to include "children under 2" in the high risk category), we consider this group is particularly at risk of gaming, and is likely to lead to a significant increase in unrecoverable costs. The real concern for this group relates to circumstances of financial vulnerability and the risk of parents not being able to heat their home and we therefore consider that Ofgem should retain this in the Medium Risk category (now FAN category).

Section 6. Summary Impact Assessment

Question 5. Can you provide any further evidence on the potential costs and benefits of our proposals?

The Impact Assessment (IA) was developed by Ofgem to estimate the costs and benefits associated with its proposals. We consider that both the costs and benefits are highly speculative, with many assumptions and few details given, such that these are hard to assess. We note our main concerns with the assumptions made, data used and the approach below:

Who is impacted

Ofgem has assumed that the cost of this policy would be passed through to consumers so an increase in bad debt would translate as a cost increase for them. We think **suppliers will be affected by this policy change** and therefore do not think this is a realistic assumption.

Ofgem uses a weighted average, sector wide approach to calculate the impact on consumers. Thus, even whilst the average cost may be passed fully to consumers (an assumption we discuss below), suppliers may still be impacted to the extent that they are different from the average. Suppliers with customer bases that include higher proportions of vulnerable customers, typically ex-incumbents, can be expected to incur above average bad debt costs due to their customers' affordability issues. In supplier-focused sessions, Ofgem has noted a wide variation between suppliers in terms of the extent and impact of bad debt. In this IA, Ofgem has not, as it did in relation to unexpected SVT, disclosed the range of data, so we cannot estimate the impact of Option 2 on different suppliers. Ofgem should consider this impact on supplier financeability in any future IA.

We disagree with Ofgem's decision to rule out an adjustment to recompense suppliers for increasing bad debt costs with effect from October 2023. This means that it is suppliers, and not customers, who will initially bear any costs increases, which is not recognised in the IA. We note that these costs, on Ofgem's estimate, range from an average £3/customer under Ofgem's 'most likely' scenario up to £24/customer under the 'worse case' scenario, with higher impacts for some individual suppliers. There will also be an impact on working capital until the issue of cost recovery is corrected, which Ofgem has not quantified in this consultation (see Table 1 in the consultation). We consider that Ofgem should have quantified this using its working capital model that was developed to calculate the capital employed in its EBIT margin consultations.

As such, we consider that the lack of focus on supplier financeability and the assumption that all costs are passed back to customers is inappropriate.

Another effect Ofgem has not quantified is the impact on carbon emissions from additional energy use by customers who have not been moved to prepayment meters.

Evolution of debt

In its 'most likely' scenario, Ofgem has assumed that those impacted do not accrue debt more quickly than others. It uses **water sector data** to approximate future bad debt, where there is no PPM and no ability to disconnect customers. We do not believe it is appropriate to use water sector data as a proxy for several reasons:

- Historically, bad debt has been low in the water sector due to lower bill size and we do not consider that it represents a fair comparison.
- The report on water sector bad debt was carried out for Thames Water in 2018 and is therefore outdated.

- Water sector data does not cover Scotland where we have most of our customers.
- Water companies use more forceful means to collect debts (such as the use of bailiffs) than are currently widely employed by energy companies. Hence, it is likely that Ofgem has under forecasted the bad debt costs under Option 2 compared to the baseline by using water sector data as a proxy.

Debt to debt transformation

Ofgem has considered a 'possible' scenario, where it estimates bad debt costs of a 50% increase in customers' debt transformation rate. We do not consider this increase is unrealistic and highlight that our current data shows customer behaviour has changed. Since February 2023, when the PPM moratorium began, customers who are in the high-risk categories have been showing higher increases in average debt per service (7% to 9% increase) relative to those customers in categories not impacted by the Code of Practice (3% to 4% increase). As such, we believe the Ofgem 'possible scenario' is more realistic and that the £3/customer impact is an underestimate.

Customers on PSR with incorrectly installed PPMs

In addition, Ofgem has assumed that 50% of customers on the PSR with PPMs had their meters incorrectly installed under the 'worse case' scenario. We are unsure how Ofgem has justified the 50% assumption made in this scenario. We also note that a customer being vulnerable and being on the PSR is not fixed; a customer may have moved onto the PSR after having an involuntary PPM, meaning it was not incorrectly installed.

PPM moratorium cross check

Ofgem has used the costs of the PPM moratorium as a proxy for the costs of its Option 3 – full PPM ban. To do so, it has used supplier data from the February and March RFIs to estimate the impact of a ban on PPM installations for those months and extrapolated the data to calculate an annualised cost of £300-360m. We agree that the Option 2 licence condition costs will be below those of a full PPM ban and hence agree in principle that the cross check is appropriate. However, we consider that since the moratorium only officially started in March, its potential impacts are likely to have increased since then.

Benefits: How customers are impacted

Ofgem has calculated impacted customers based on social obligations reporting (SOR), Requests for Information (RFIs), surveys and Office for National Statistics (ONS) data. The numbers of customers within the scope of being impacted by moving the new Code of Practice into the Licence is c.4.37m "Do Not Install" customers and c.5.9m "Further Assessment Needed" customers. The licence condition would only impact customers currently on DD or SC payment types – Ofgem assumes that they would benefit from reduced self-disconnection or self-rationing and potential increased energy use since suppliers would be prevented from installing PPMs involuntarily.

We are concerned that the counterfactual - that vulnerable customers would self-disconnect and self-ration in the case that a smart PPM is installed - is flawed. Smart PPM offers a wide scope for suppliers to support their customers, including with debt management. Arguably, with smart PPM meters self-disconnection and self-rationing are more obvious to suppliers, meaning they can offer more assistance to vulnerable customers. Therefore, we believe that the benefits associated with the implementation of option 2 may be overstated.

Additional considerations on benefits:

- The PPM self-disconnection data includes all self-disconnections. We consider that it should be limited to self-disconnections of above 6 hours to exclude cases where consumers have simply forgotten to top up.

- The survey data used to assess benefits should only be seen as indicative, as much of the data consists of customer self-assessments.

Question 6. 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?

Suppliers have a licence obligation to provide ASC payments in certain circumstances and their discretion as to whether to make ASC payments is therefore constrained. However, notwithstanding these licence obligations, we think that suppliers will in general have a reasonable degree of latitude as to how generous (or otherwise) their ASC policy is.

If Ofgem's intention through this new allowance is to provide better support for vulnerable customers on PPMs, it is important that Ofgem creates the right incentives for suppliers to offer more generous ASC payments. One of the drawbacks of a 'one size fits all' price cap allowance is that suppliers receive the allowance revenue regardless of how many ASC payments they make. The value of ASC payments made (and resulting bad debt) may be captured in a final true-up exercise, but even then, the impact on an individual supplier is diluted through the calculation of a weighted average. This means that, other things being equal, suppliers still have an incentive to minimise ASC payments and the associated bad debt costs.

We believe that the incentives on suppliers could be better aligned with Ofgem's objectives if:

- Suppliers are required to report each year on the value of ASC payments and associated bad debt incurred;
- Where the cost of ASC bad debt is less than revenue received via the price cap allowance (net of any true-up adjustment), the supplier is required to pay the difference into the supplier's vulnerability fund.
- Where the cost of the ASC bad debt (net of any true-up adjustment) is greater than the allowance, consideration should be given for the 'overspend' to be carried forward to future years (if the allowance runs for multiple years).

The ability to carry forward 'overspend' would help mitigate the risks associated with seasonality, where suppliers may "use" most of their ASC allowance early in the winter period and then feel constrained to limit their ASC payments later in the year. This risk is higher if the allowance is fixed and based on a weighted average using data that is not up to date and therefore does not reflect the latest conditions.

Annex 2

STATUTORY CONSULTATION – INVOLUNTARY PPM
- COMMENTS ON DRAFT LICENCE CONDITIONS AND GUIDANCE

To accompany our responses to Questions 1 and 2, we set out in the table below comments on the draft licence conditions and draft updated guidance provide by Ofgem in Appendices 3 and 4 of the consultation document.

SLC Modifications

Area	Comment	Proposed Amendment
27A.7C	We think the drafting needs to be amended to clarify that the requirement for the supplier to ensure the customer doesn't experience an off-supply situation is only in the context of the Involuntary Prepayment installation. Otherwise, the drafting of SLC 27A.7C creates an enduring obligation on suppliers regarding this set of customers, going beyond the CoP and Ofgem's intention.	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 as a result of an Involuntary Prepayment installation.
27A.9	Ofgem's drafting includes reference to Involuntary Prepayment Meter Credit being provided "automatically". We assume that this reference is intended to ensure that customers receive this credit amount without asking and as soon as the meter is installed or switched mode; however we think it could be interpreted as requiring an *automated* process. While this may often be the case, there could be circumstances where manual intervention is required to provide the credit. We think that the word "automatically" should be deleted to avoid creating unintended potential for non-compliance and do not think this impacts on the licence conditions obligations on suppliers in this area which requires the credit to be provided "upon installation".	"Involuntary Prepayment Meter Credit" means an amount of credit to be specified in guidance to be provided ~~automatically~~ upon installation of an Involuntary Prepayment Meter in accordance with SLC 28.7
28.2	By updating the drafting of this licence conditions as proposed, Ofgem is extending this licence condition from applying to customers already using a prepayment meter, to an earlier stage where a customer requests a prepayment meter, a supplier offers a prepayment meter, or at an Involuntary PPM. Protections for customers prior to installation are already covered in other elements of the licence conditions, and therefore while we think the updated drafting of this element of the guidance does not in effect create any additional obligations (other than in relation to the interaction with 28.3 below), we think this update creates duplication within the licence which goes against good regulatory practice.	N/A

28.3	SLC 28.2 has been extended from "use" to "requests, is offered or uses a Prepayment Meter, or ….installs an Involuntary Prepayment Meter" means that 28.3 should be limited to only customers who subsequently progress to have a prepayment meter installed.	28.3 In complying with SLC 28.2, where the Domestic Customer uses a Prepayment Meter 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.
28.15	Ofgem's drafting has extended the protections of the "Proportionality principle for debt recovery activities" without consultation and we do not consider it to be consistent with Ofgem's policy intention. Ofgem's drafting now also requires supplier actions in the debt journey and the costs we seek to recover as a result to be proportionate in the context of the customer's ability to pay. This creates a new obligation that could be interpreted as meaning that suppliers would not be able to fully recover costs incurred within the debt journey where customers have affordability issues rather than allowing repayment plans for the full amount of the costs based on the customer's ability to pay. If Ofgem proceeds with this change, this would be a further action to limit suppliers' recovery of costs and therefore an additional trigger for increases in bad debt. We do not think this is appropriate and query whether it is Ofgem's intention. Where a customer has affordability concerns, within SLC 27.8A d) suppliers already face obligations to ensure repayment rates are set taking account of a customer's ability to pay, or where a customer does not engage, any default repayment amount being set is reasonable. We understand that Ofgem's intention is to ensure that suppliers' actions are proportionate with regard the customer's ability to pay, however we consider the requirements of the Precautionary Principle within the guidance in paragraphs 3.12 to 3.14 already covers the requirements within the Code of Practice. If Ofgem is seeking to go further with the protections offered by the Proportionality Principle in SLC 28.15, it must consult on these changes explicitly to ensure that it understands the full impact of any changes, including to the potential bad debt that must be recovered from other consumers where suppliers are limited in the recovery of costs incurred in the debt journey.	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~~.
28.21	Ofgem's definition for Involuntary Prepayment Meter appears unnecessarily complex and we think there is a real risk that this could result in it being counterproductive to the aims Ofgem has in relation to consumers being switched to prepayment without consent.	"Involuntary Prepayment Meter" means: (a) a Prepayment Meter installed by execution of a Relevant Warrant in respect of a Domestic Customer; or (b) a Smart Metering System switched to a mode which requires a Domestic Customer to pay Charges

	For example, the definition creates limitations on when a prepayment switch would be captured by the definition by including reference to a number of the actions that suppliers must undertake prior to an Involuntary PPM. Therefore, if those referenced actions are not undertaken, the switch would therefore fail to meet the definition and the protections would fail to apply. We think the definition should be much simpler and align more closely to that used in the CoP, and we have included alternative drafting. In addition to the above point, we would also highlight that the current drafting creates additional restrictions on when suppliers would be allowed to switch a smart meter prepayment mode without customer consent. This relates to the references to "compliance" with the payment methods in SLC 27.6 a) i) and ii). Suppliers must only offer these to customers in payment difficulty, and there is no requirement that customers would have been on those payment methods prior to the switch to prepayment.	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), notice has been given under paragraph 23.8B,~~ 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	We think Ofgem should include the definitions for each of the following within the licence conditions rather than referencing to the guidance. - "Consent" - "Debt Trigger" – we agree that it is appropriate to include the level of the debt trigger within the guidance - "Precautionary Principle" - "Site Welfare Visit" While we understand Ofgem's approach to splitting the CoP requirements between licence conditions and guidance, we would expect that specific definitions used in the licence conditions would have their meanings included in the licence conditions to avoid the reader to have to cross refer to another document. Guidance is normally used to provide the reader with clarifications of how actions are expected to be undertaken, rather than providing key definitions of terms.	We have not proposed drafting here as we suggest Ofgem move the existing definitions from the guidance.

Safe and reasonably practicable guidance

Area	Comment	Proposed Amendment
3.2	As we note in our comment above for SLC 28.22, we think the definition for "Consent" should be included in the licence conditions rather than in the guidance.	N/A

3.3 (and 6.4)	Paragraph 6.4 is almost an exact replica of paragraph 3.3 and therefore we consider the drafting should be retained in only one place. It is not clear to us that this paragraph (setting out obligations on alternative debt recovery options where Involuntary PPM is not suitable) fits under either Section 3 (Assessment for installation of Involuntary PPM) or Section 6 (Ability to Pay) but on balance we think Section 3 may be more relevant.	Deletion of 6.4 below.
3.4	All of the guidance applies equally to gas and electricity and therefore does not take account of any of the characteristics which could mean a gas PPM may be suitable where an electricity PPM would not be, or vice versa (assuming there are no other relevant characteristics that would impact the appropriateness of PPM for the alternative fuel). We think that without amendments to reflect this situation, Ofgem could be constraining the use of prepayment to a greater extent than it intends thus adding to the potential for increasing bad debt as a result of this intervention.	3.4. 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. In each case, suppliers should assess Involuntary PPM for gas and electricity independently.
3.8	As noted in our comment on paragraph 3.4, we consider the DNI categories include some specific to electricity and/or gas depending on the circumstances and consider amended drafting is required to ensure Ofgem does not limit the switch to prepayment for one fuel where it remains appropriate in all the circumstances of the case based on a characteristic that would only limit the use of the other fuel for the customer and their household's circumstances.	3.8. 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: o Dependency on any electrical powered medical equipment (such as heart/lung ventilators, dialysis equipment, stair lift, hoist or refrigerated medication); o electrical dependency on carelines or health and wellbeing alarms; o a medical dependency on a warm home; (for example due to illness such as emphysema, chronic bronchitis, sickle cell disease). • Households with a very elderly occupant (85+), without support in the house; • Households with chronic/severe or terminal health conditions (such as cancer, cardiovascular/respiratory disease and organ failure).
3.10	This paragraph states that suppliers "must also ensure" they have undertaken additional checks for two categories of customer groups not included in the DNI	Suppliers are encouraged to consider ~~must also ensure they have performed additional checks to satisfy themselves that~~

	or FAN groups creating an obligation on suppliers which goes above the agreed drafting of the Code of Practice which was an "encouragement" rather than a "requirement" – as set out below. *"2.13 We also encourage suppliers to consider whether a PPM is safe and reasonably practicable for any household with adults over 65 and/or children under 16."* Ofgem has not consulted on extending this element of the Code of Practice into a requirement in the manner Ofgem has. The licence conditions include an obligation on suppliers to ensure that PPM is safe and practicable for all customers taking account of relevant characteristics and circumstances and we see no reason for Ofgem to include a requirement for "additional checks" above this for these two customers groups.	whether a PPM installation is safe and reasonably practicable for any household with adults over 65 and/or children under 16.
3.12	As we note in our comment above for SLC 28.22, we think the definition for "Precautionary Principle" should be included in the licence conditions rather than in the guidance.	N/A
4.1	Ofgem has extended the existing drafting from applying to a customer "requesting or being offered" a PPM to also include a customer "using" a PPM. While we understand why Ofgem has taken this approach, some of the subsequent bullet points would only apply prior to the customer moving to PPM and would therefore not be relevant or could create greater obligations on suppliers than there currently are but without due consideration or consultation by Ofgem. We have therefore suggested some amendments to limit the requirements in some cases to situations of "offering" rather than also including "using".	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 where a customer requests, a supplier offers and/or customer uses 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; • for Involuntary PPM 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 offering a PPM including for Involuntary 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;

		• where offering a PPM including for Involuntary PPM, checking whether there has been a change of occupancy; • where offering a PPM including for Involuntary PPM, attempting to check with any appropriate advice or other agency such as local authority or housing association; and • where offering a PPM including for Involuntary PPM, obtaining authorisation of an appropriate seniority prior to moving a customer to a PPM.
5.1	As we note in our comment above for SLC 28.22, we think the definition for "Debt Trigger" should be included in the licence conditions rather than in the guidance, with only the level of the Debt Trigger remaining in the guidance.	N/A
5.2	As we note in our comment above for SLC 28.22, we think the definition for "Site Welfare Visit" should be included in the licence conditions rather than in the guidance.	N/A
5.4	We have made amendments to reflect the existing drafting of the Code of Practice around the use of third parties only where they are credible organisations.	Suppliers must accept 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 credible partnered and non-partnered customer support and debt advice organisations.
5.12	Amended to correct typos.	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.
6.4 (and 3.3)	Paragraph 6.4 is almost an exact replica of paragraph 3.3 and therefore we consider the drafting should be retained in only one place. It is not clear to us that this paragraph (setting out obligations on alternative debt recovery options where Involuntary PPM is not suitable) fits under either Section 3 (Assessment for installation of Involuntary PPM) or Section 6 (Ability to Pay) but on balance we think Section 3 may be more relevant and therefore suggest paragraph 6.4 is deleted.	~~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.~~

9.1 (and 10.4 and 10.5)	Paragraphs 10.4 and 10.5 under the new section for "Post Installation of Involuntary PPM and Aftercare" appear to cover all aspects covered by the existing Section 9 for "Post Installation of a PPM" with the only difference being that Section 9 applies to all PPM installations and Section 10 to only Involuntary PPM. Given the duplication of the requirements, we consider it would be appropriate for Ofgem to consider some consolidation to avoid duplication. Paragraphs 10.4 and 10.5 also appear to almost duplicate the existing licence conditions in SLC 27A and therefore the guidance may benefit from referencing these and providing additional explanatory guidance.	N/A
11.1 and 11.2	This paragraph states that suppliers must retain audio/body camera recordings for a minimum of five years. This goes beyond the agreed drafting of the CoP which required recordings to be retained for a minimum of two years but with a "recommendation of five years. Ofgem has not consulted on extending this element of the Code of Practice into a requirement in the manner Ofgem has and consider the previous drafting should be retained and if Ofgem considers the minimum requirement should be extended, it should consult with stakeholders to understand the implications.	11.1. All assessment documentation and audio/body camera recordings are to be retained for a minimum of ~~five~~ two years. 11.2 Ofgem recommends a retention period of five years ~~is~~ to ~~ensure~~ support 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. This also allows customer confidence that complaints can be adequately assessed.

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