**Ofgem Consultation – Levelling the cost of standing charges on prepayment meters.**

**A response from Scope**

**September 2023**   
  
  
**About Scope**    
  
We’re Scope, the disability equality charity. We won’t stop until we achieve a society where all disabled people enjoy equality and fairness. At home. At school. At work. In our communities.

We’re a strong community of disabled and non-disabled people. We provide practical and emotional information and support when it’s needed most. We use our collective power to change attitudes and end injustice.

We campaign relentlessly to create a fairer society. And we won’t stop until we achieve a society where all disabled people enjoy equality and fairness.

**Context**

Scope welcomes the opportunity to respond to this consultation.

We already know that people on prepayment meters (PPMs) pay more than those on credit meters, and this includes many disabled people and families with disabled children. Organisations such as Fair by Design class this as part of the ‘Poverty Premium’[[1]](#footnote-2). This has been estimated at £46[[2]](#footnote-3) more per year than people on non-PPMs. This group of customers also pay for their energy in advance, over a shorter period, and so are already disadvantaged.

We have chosen only to answer the questions on which we have expertise, and there are three key beliefs that inform our response:

1. for prepayment meter PPM installations and switches to be banned for disabled households.

2. for Ofgem to consider the disproportionately high level of debt PPM customers accrue, and factor in the lower-than-average annual income amongst disabled households with a PPM.

3. for Ofgem and the Government to work together in developing a new method for recording/sharing customer data.

Ultimately, what will make a real difference for disabled customers would be an energy social tariff based on a unit rate discount applied across all payment types.

**1) Do you have any views on our proposed case for the introduction of levelisation of payment methods?**

We do not believe that customers on PPMs who by Ofgem’s description[[3]](#footnote-4), are more likely to be vulnerable, should bear the extra costs on a meter they have no say in having.

By their nature, these meters push customers into further debt by immediately recovering money for debt repayment before the credit can be used to power the home. Paying any additional costs for the running of these meters should be the responsibility of suppliers.

Paragraph 2.18[[4]](#footnote-5) of the consultation states that the bad debt allowance Ofgem is proposing is not expected to lead PPM customers into paying more on their bills than they would on Direct Debit (DD). However, there is no guarantee of this as it is reliant on the PPM price cap level remaining higher than the DD level until April 2024.

The new involuntary PPM installation licence conditions[[5]](#footnote-6) are welcome, though they do not go far enough in protecting vulnerable disabled customers, customers aged 75+ or aged 5 and under, or those who may be in a negative budget. Scope continues to call for forced PPM installations and switches to be banned for disabled households. There is a focus on flexible energy consumption, but this is not possible for some customers who rely on electric medical equipment or heating to manage a disability, illness, or condition.

Please see below supporting evidence from Scope’s Disability Energy Support service.

**Findings from Scope’s Disability Energy Support (DES) Service.**

Scope’s DES service offers free energy and water advice to disabled people. In the following section we provide evidence from the service highlighting vulnerability amongst disabled customers. These statistics reflect the disproportionate number of disabled customers impacted by higher costs associated with PPMs.

Lots of disabled people need to use more heating to regulate their body temperature, and some need to charge equipment like electric wheelchairs and hoists. Scope regularly hears from people who use life-saving equipment like ventilators or dialysis machines; these costs cannot be avoided.

Between 01 August 2022 and 18 September 2023, 1,010 people had an appointment with a Scope DES adviser. We asked customers how they pay for their energy. Of those who answered, 31% paid gas by PPM and 28% paid electric by PPM. The average age of a disabled PPM customer seeking help from Scope is 47.

Worryingly, 60% of DES respondents with a PPM earned or received less than the national living wage; this includes customers who work and those in receipt of disability and other benefits. According to the Money Saving Expert, the national minimum wage in the UK should be no less than £18,964[[6]](#footnote-7) for those aged 23 and above, working 35 hours a week.

According to the Office for National Statistics[[7]](#footnote-8), the median household income for year ending 2022 was £32,300.

Considering the above concerns around PPMs and customer vulnerabilities, option 2 to levelise PPM and DD standing charges and Additional Support Credit (ASC) bad debt costs would be the most practical and impactful. This option particularly so because of the timescale for implementation.

However, Scope would prefer option 3 due to Standard Credit (SC) customers being included in the standing charge levelisation. We agree that SC levelisation should be considered, so long as it will not delay the PPM levelisation deadline of April 2024.

**2) Do you have any views on our proposed policy considerations for levelisation? Are there any additional ones we should consider?**

More could be done at Government-level. We believe the introduction of an energy social tariff for disabled households would have the biggest impact; this should be based on a unit rate discount applied across all payment types. Households should be automatically enrolled, and it must be mandatory for all suppliers. This tariff must also sit alongside, rather than replace, existing support like the Warm Home Discount and the energy price cap.

An energy social tariff is a measure supported by 86%[[8]](#footnote-9) of disabled people.

**3) Do you agree with our initial preference to levelise PPM and DD Standing Charges?**

Yes. However, with consideration of the implementation timescale, option 3 which includes levelisation of SC standing charges would be preferable.

**4) Do you think we should also levelise the bad debt charges across PPM, DD, and SC, which would reduce the differential between SC and DD? Please provide any evidence/data that may benefit consumers as a whole.**

N/A

**5) How should we ensure that levelisation transfers are correctly applied to customers on tariffs not covered by the cap (i.e., uncapped)?**

While Ofgem states that suppliers are responsible for setting rates for customers on uncapped tariffs[[9]](#footnote-10), the introduction of a mandatory condition would obligate suppliers to ensure that uncapped PPM standing charges match or are lower than uncapped DD standing charges.

**6) Do you agree with our proposal not to levelise across regions?**

No. A transparent retail market would benefit from abolishing differing standing charges and regional variations; there should be one single electricity price, and one single gas price.

Additionally, as suppliers state they cannot share profits with customers by law, it could be reasonable for suppliers to bear the costs of differing network charges. It is of Scope’s view that the removal of regional price differences should be considered in the future.

**7) Do you agree with our proposal not to target levelisation?**

No. Targeted levelisation may have its barriers, however it could be shaped and improved through the way suppliers record customer information, such as recording:

* PSR status and age (75+ and households with children 5 and below).
* Disabilities/impairments/conditions.
* Dependents.
* Employment status.
* Occupancy type (tenancy/mortgage/outright owner).
* Meter type (pre-pay/credit).
* Debt amount.
* Property type and age.

It would be useful for Ofgem and the Government to work together in implementing a new data collection/sharing method, to protect and support vulnerable customers.

Data from our DES service makes clear that disabled households with a PPM in place are facing significant debt, and we argue that the Government and Ofgem should prioritise them for levelisation. Between August 2022 and September 2023, 854 DES respondents told us they were in arrears with water (15%), electric (45%) or gas (40%), with 52% having no repayment plan in place. When asked to rate their debt, 74 % said it was manageable, and 26% said it was problem debt.

**Of the 313 respondents who had a PPM, 84 shared their gas debt amount:**

* £1 - £500: 42 people (50%), and 7 had no repayment plan in place.
* £501 - £1000: 16 people (19%), and 5 had no repayment plan in place.
* £1,001 - £2000: 15 people (18%), and 7 had no repayment plan in place.
* £2,001 - £3000: 6 people (7%), and 2 had no repayment plan in place.
* £3,001 - £9000: 5 people (6%), and 1 had no repayment plan in place.

**And 79 shared their electric debt amount:**

* £1 - £500: 52 people (66%), and 10 had no repayment plan in place.
* £501 - £1000: 10 people (13%), and 1 had no repayment plan in place.
* £1,001 - £2000: 10 people (13%), and 2 had no repayment plan in place.
* £2,001 - £3000: 4 people (5%), and 1 had no repayment plan in place.
* £3,001 - £8000: 3 people (3%), and all had a repayment plan in place.

These statistics highlight the dire circumstances of the customers who contact Scope for help with their energy and we expect the situation to get worse as we approach this winter. We are increasingly having to refer customers to the Fuel Bank Foundation for a PPM fuel voucher. Scope reiterates the need for forced PPM installations and switches to be banned for disabled households.  **8) Should we set new licence conditions to ensure suppliers pass the costs/benefits through to all customers?**

Yes. A mandatory condition for all suppliers to pass the levelisation benefits/savings onto customers would be a positive start and could be strengthened through the consequence of financial penalties for non-compliance or breach of the mandatory condition(s).   
  
**9) Do you have any views on our other considerations?**

N/A  
  
**10) What are your views on the reconciliation mechanism, the type of mechanism, invoicing cadence, and mechanism operator?**

N/A  
  
**11) Do you have any views on our preferred approach of a fixed reconciliation amount to reconcile standing charges levelisation and a volumetric reconciliation amount based on estimated consumption to reconcile unit rate levelisation?**

N/A  
  
**12) Do you agree that all domestic customers should be included within the reconciliation mechanism?**

N/A  
  
**13) Can you provide an estimate of implementation and ongoing costs on your organisation of the different levelisation options and approaches?**

N/A  
  
**14) Do you have any comments on potentially phasing the implementation of the reconciliation mechanism?**

N/A

**15) What considerations should we take to tariffs that exist prior to the implementation of levelisation?**

Bring them in line with the new levelisation standards and ensure new licence conditions and breach consequences apply to those tariffs from the date levelisation is implemented.

Levelisation is futile if the more costly, pre-levelisation tariffs still exist post-April 2024. This would also prevent customers being placed on more costly tariffs and potentially prevents non-compliance and financial consequences for suppliers.

**16) Are there any other financing impacts on your organisation that we have not considered as part of Chapter 4 or the IA?**

N/A

**17) Are there any other considerations for the reconciliation mechanism we have not explored?**

N/A

**For more information, please contact:**

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2. Scope (2022), Cost of Living – Policy report, <https://www.scope.org.uk/campaigns/research-policy/cost-of-living-report/> [↑](#footnote-ref-3)
3. Ofgem Consultation (2023) – Levelling the cost of standing charges on prepayment meters, <https://www.ofgem.gov.uk/sites/default/files/2023-08/Levelling%20the%20cost%20of%20standing%20charges%20on%20prepayment%20meters%20-%20Policy%20Consultation.pdf>, Page 30 (3.22) [↑](#footnote-ref-4)
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