

Background

The Regulations

Ofgem has drafted Regulations which will provide for an agreement between the customer and supplier to collect payment through a PPM for:

- gas or electricity debt (for supply or the provision of a meter) from a previous premises; and,
- collection of ongoing gas usage charges and/or a gas debt through an electricity PPM.

Key points about the Regulations are:

- suppliers are not obliged to offer the types of agreement permitted by the Regulations,
- both the customer and the supplier must consent to the method of payment permitted by the Regulations,
- a supplier can offer whichever elements of the Regulations are appropriate to individual customers (for example: one debt through a gas PPM; two debts, ongoing usage for two fuels, etc, through an electricity PPM),
- Ofgem will monitor the Regulations and will formally review the Regulations in 2 years to ensure they are working effectively, and;
- initially only one supplier is expected to trial the collection of gas usage and debt through an electricity PPM.

Suppliers intending to use these Regulations:

- will continue to be required to comply with their current licence requirements,
- can have more than one person named on the agreement, and;
- will be invited to monitor the arrangements and provide data to Ofgem. The monitoring arrangements will include the number of customers taking up the options on offer, the number of agreements terminated, the reasons for the termination (where known), details of applicable tariffs and relevant customer/supplier experience. The monitoring arrangements have been sent separately to suppliers and energywatch for comment.

Key issues

Set out below are the main concerns raised by responses to the December consultation and how they have been addressed in the revised Regulations. The majority of concerns related to the option to allow gas debt or gas usage to be collected through an electricity PPM.

Consumer protection

energywatch and CAB have concerns over allowing an electricity PPM to collect gas debt and ongoing gas charges. They are concerned that if customers fall behind with gas payments they may get further into debt and potentially self-disconnect. Ofgem has worked to include as much protection for customers as possible whilst still drafting workable Regulations.

Customers are protected by the Regulations as:

- payments can only be collected with a customer's agreement and the agreement must involve a conversation taking place before a supplier sends out the agreement as evidence in writing,
- information on using the PPM must be given to the customer,
- the supplier must take account of a customer's ability to pay when setting the repayment amount to be taken through the PPM,
- if a customer is paying for gas through an electricity PPM then the supplier must take reasonable steps to check the gas meter at least every six months,
- the agreement can be terminated on request by either party.

Time limits and monitoring

In relation to the option to allow gas usage or debts to be collected through an electricity PPM we consulted on two options: either to limit the life of the Regulations to two years; or review them after two years. Suppliers are opposed to a time limit on the Regulations because this creates uncertainty. Consumer groups are keen to see a trial to establish how the arrangements work in practice. Given the need for certainty if suppliers are to invest we do not propose to include a time limit in the Regulations. Ofgem will however monitor the Regulations to ensure no unanticipated customer detriment occurs and will formally review the Regulations after two years. Ofgem will keep under review the desirability of extending the gas Regulations to enable the collection of electricity charges through a gas PPM.

Industry process issues

In their responses, suppliers raised concerns that the Regulations could affect industry processes such as change of supplier. We met with suppliers to discuss their concerns. The conclusion was that no changes were required to industry processes for change of supplier. Any changes required would be to suppliers' internal policies to manage a customer's experience and this was largely dependant on what options they offer to customers.

The agreement

Consumer organisations felt the agreement should be signed by both parties, whilst suppliers felt a requirement to have written authorisation from the customer was unnecessarily onerous. We believe the Regulations provide a good workable compromise. The agreement must involve a conversation taking place before a supplier sends out the agreement as evidence in writing, which must include a seven working day cancellation clause. The seven working day cancellation clause is a standard time scale for distance selling.

Energy Efficiency packages

Ofgem originally consulted on a third option to allow the costs of energy efficiency packages to be collected through a PPM. While this option was favoured by a number of suppliers, consumer organisations including FPAG were strongly opposed on the grounds that funding for energy efficiency measures was the role of Warm Front and EEC. We therefore decided not to progress this option further at this time.