

# Closure statement following Ofgem's review of compliance with Standard Licence Condition 28 of the gas and electricity licences – Prepayment Meters

23 April 2008

## Summary

- 1.1. In March 2008, Ofgem undertook a review of compliance by the six major energy suppliers<sup>1</sup> ("the suppliers") with certain obligations imposed upon them by Standard Licence Condition ("SLC") 28 of the gas and electricity supply licences<sup>2</sup>. Under SLC 28.3, licensees are obliged to prepare<sup>3</sup>, and publish on their websites<sup>4</sup>, a statement ("the statement") containing specific information<sup>5</sup> relating to prepayment meters ("PPMs").
- 1.2. Ofgem identified a number of areas where suppliers' current statements fell short of what it considered they should be doing under this licence condition. Ofgem wrote to suppliers setting out the changes required.
- 1.3. Following its review, Ofgem is now satisfied that the suppliers are compliant with their obligations under SLC 28.3(a) and (b) and that, as a result, clear and comprehensive PPM information is readily accessible on the suppliers' websites.

## Background

- 1.4. Licensees are required to offer domestic customers a wide choice of payment methods for their gas and/or electricity supply, including payment through the use of a PPM<sup>6</sup>. It is important that existing PPM customers, and those considering moving to a PPM, are able to access detailed information to enable them to assess the merits of using this form of payment. SLC 28 ensures that certain, essential information is made available to customers and minimises the disparity between licensees in relation to the accessibility and the sufficiency of PPM information.
- 1.5. SLC 28.1 requires that a statement prepared under SLC 28.3(a) includes the following information:
  - the advantages and **disadvantages** of a PPM;
  - where a PPM customer may obtain information or assistance if
    - (i) the prepayment meter is not operating effectively, or
    - (ii) any device used to allow the Charges for the Supply of Electricity/Gas to be paid through the prepayment meter is not operating effectively; and
  - the procedures that the licensee will follow when removing or resetting the prepayment meter, including the timescale and any conditions for removing or resetting it.

## The review

- 1.6. The review looked at the accessibility and the content of the statements published on the suppliers' websites in accordance with SLC 28.3(a) and (b). SLC 28 does not specify the nature of the advantages and disadvantages of PPMs which should be

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<sup>1</sup> The suppliers considered in this review were British Gas, EDF Energy, E.ON, RWE npower, Scottish and Southern Energy and ScottishPower.

<sup>2</sup> A copy of the Standard Licence Conditions of electricity supply can be obtained at [http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=12976](http://epr.ofgem.gov.uk/document_fetch.php?documentid=12976) and of gas supply at [http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=13010](http://epr.ofgem.gov.uk/document_fetch.php?documentid=13010)

<sup>3</sup> SLC 28.3(a)

<sup>4</sup> SLC 28.3(b)

<sup>5</sup> As specified in SLC 28.1

<sup>6</sup> Pursuant to SLC 27.1

included in the statement; in conducting its review, Ofgem considered that there were certain factors which should be included since these could be pivotal to a customer's switching decision. To this end, the following disadvantages were identified as being relevant information for inclusion in the statement:

- PPM customers may pay a higher tariff than they would under other payment methods.
- PPM customers risk self-disconnection unless sufficient credit is purchased with a top-up device in advance and within the appropriate facility's opening hours.
- Where a PPM customer loses their top-up device, they may be without gas/electricity until they receive a replacement from their supplier; therefore, licensees should specify whether payment for the replacement is required and, if so, the likely cost.
- After a tariff increase, there may be a delay in recalibrating the PPM to reflect the new price with token PPMs; therefore, licensees should make clear whether this could result in a build up of debt.

1.7. In the course of the review, it was noted that customers would be unable to easily locate the statement on four of the six suppliers' websites; the exceptions were ScottishPower and EDF, on whose websites the statements were readily accessible.

1.8. In terms of content, only ScottishPower and E.ON's statements covered all of the requisite information, including all of the information considered by Ofgem to be relevant to customers, under SLC 28.1 (as set out at paragraph 1.5 above).

1.9. In April 2008, a letter was sent to each of the suppliers other than ScottishPower, whom we considered to be fully compliant with its obligations under SLC 28.1 as well as 28.3(a) and (b). The letters required each of the suppliers to address the issues identified in relation to the accessibility and/or content of their statement in order to ensure that they were fully compliant with their obligations under SLC 28.1, 28.3(a) and (b). These issues have now been addressed to Ofgem's satisfaction.

## **Conclusion**

1.10. Ofgem is satisfied that the measures which the suppliers have taken will ensure that the relevant PPM information is readily accessible to customers in accordance with SLC 28.1, 28.3(a) and (b), thereby enabling customers to exercise effective choice. Accordingly, the review into the suppliers' compliance with those obligations under the relevant aspects of SLC 28 has now been closed.

1.11. However, Ofgem remains concerned that suppliers take their obligations in this area seriously. Should Ofgem become aware of any breaches of this obligation in future, we will consider taking formal enforcement action which may result in the imposition of a financial penalty.