



*Promoting choice and
value for all customers*

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Dear Colleague,

Token Prepayment Meter customer issues

Ofgem is pleased that suppliers' programmes to replace token prepayment meters (token PPMs) is progressing well. These meters require manual recalibration with price changes and Ofgem has been monitoring this over the past two years following concerns about debt build-up when recalibration is delayed. Ofgem is satisfied that suppliers are continuing to meet their commitments and licence obligations in this area, although there remain a number of customers who build up debt where the supplier has not been able to gain access to the meter.

As suppliers' programmes of token meter replacement nears completion, it is essential that they are proactive in ensuring that no customer is left without supply if the token meter facility is withdrawn in an area. We have set out some steps that we believe, as a minimum, suppliers should be taking to avoid this problem.

Background

In December 2006 Ofgem published a statement on good practice regarding the recalibration of token PPMs¹. In that statement we:

- Announced plans to consult on licence changes to put obligations on suppliers for timely recalibration and to bar debt blocking in this area. These new licence obligations came into effect on 1 August 2007;
- Set out the best practice steps that suppliers must take to ensure that their customers are treated fairly, noting that different approaches could be taken;
- Set out the commitments we had obtained from E.ON, npower and Scottish Power (who charge increased prices in advance of recalibration) to improve performance in this area and to accelerate the replacement of token PPMs; and
- Committed to monitoring suppliers' progress.

Since then, Ofgem has published a number of updates highlighting action by suppliers to tackle this issue. This letter provides a further update on suppliers' progress and activity throughout 2008 and our plans to continue to monitor suppliers' performance in this area.

¹ http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/16521-218_06.pdf

Update on progress

The data received from suppliers shows that at the end of December 2008 the total number of token PPMs accruing debt was less than **62,000**. This is a significant improvement from the **409,000** token PPMs accruing debt when Ofgem first took action in December 2006 and from the 100,000 accruing debt at June last year. The slight increase in the numbers of token PPMs accruing debt in 2008 was a result of the price changes which occurred early in the year, requiring all token PPMs to be recalibrated.

Information submitted from suppliers show good progress on their replacement programmes for token PPMs. The remaining token PPM stock for the three suppliers who charge in advance of recalibration (E.ON, npower and Scottish Power) is around **108,000** – down from **763,000** when Ofgem first took action in December 2006. Table 1 below shows the progress of these suppliers in this area over time.

Table 1: Summary of progress regarding token PPMs and debt build up

	Dec 2006	Jun 2007	Dec 2007	Jun 2008	Dec 2008
Total Number of Token PPMs	763,000	552,000	438,000	335,000	108,000
Number of Token PPMs accruing debt	409,000	115,000	85,000	100,000	62,000

Debt write-off

Given that delays in recalibrating token PPMs can result in customers building up significant levels of debt, we have stressed the importance of suppliers handling these debt and affordability issues sensitively. We have encouraged suppliers to consider debt write off in cases of genuine hardship, to write off all very old debts and to be sensitive in setting debt repayment levels.

E.ON, npower and Scottish Power have arrangements in place to limit the overall level of debt that any customer will pay and have given commitments to write-off debt in cases of genuine hardship and at all times treat these customers fairly. Over the July to December 2008 period these suppliers have written off a total of around £10.2 million of customer debt from delayed recalibration. We have made clear that this does not count towards the £225m social spend commitment that suppliers agreed with Government and which Ofgem is responsible for monitoring.

It is important that suppliers remain proactive in identifying cases of genuine hardship and writing off debt. Our message to customers is that they should contact their energy supplier if they have a token PPM and haven't had a recent visit to recalibrate and exchange their meter. If they have experienced delays and built up debt as a result of those delays they should ask their supplier for help with paying off any resulting debt.

Replacement of token PPMs

Our best practice statement in 2006 recognised that suppliers had replacement programmes in place and urged them to do all that they could to accelerate their plans. All suppliers have stepped up their programmes for replacing token PPMs with "smarter" key meters which do not require visits to be recalibrated with price changes.

The total number of token PPMs remaining in stock for **all** suppliers stands at around **258,000**. Suppliers have indicated that they expect to be approaching the end of their replacement programmes in 2009 and as such have started planning how to phase out these token PPMs permanently.

We are working with suppliers to ensure that they have suitable arrangements in place to phase out these meters to ensure that customers are not left off supply. As part of this work we have developed some principles that set out the minimum steps that we would expect any programme of withdrawal of token PPM support to include. These principles are set out in the Annex to this letter.

In November 2008 we wrote to each of the six major energy suppliers to remind them of their responsibilities, when phasing out support for token PPMs in an area, to have robust arrangements in place which ensure that customers, particularly vulnerable customers, are not left off supply. We have highlighted that ultimately this responsibility rests with each supplier and that we will not hesitate to take action should we find customers stranded without supply as a result of a supplier's withdrawal of token PPM support, particularly over the winter period. Ofgem's Chief Executive has also written to the Chief Executive of each supplier to draw their attention to this issue.

We are hosting a workshop with suppliers, the Energy Retail Association and Consumer Focus on 5 February to agree adherence to these principles and a common approach to the phase out of these token PPMs permanently.

We encourage all customers who still have a token PPM to contact their supplier to make an appointment to exchange their meter.

Next steps

Ofgem welcomes suppliers' efforts in this area to minimise debt build-up through the timely recalibration of these token PPMs and in their replacement programmes. We intend to continue to monitor suppliers' performance in this area throughout 2009 and will publish a further update on their progress in the summer.

Yours sincerely

Maxine Frerk
Director, Governance, Consumer and Social Affairs

Annex

These principles set out the minimum steps that we would expect any programme of withdrawal of token prepayment meter support to include:

- That any areas targeted for removal of token PPMIP are where the numbers of remaining token PPMs in place are very limited. For example, ScottishPower are planning to withdraw token PPMIP in the Dumfries and Galloway area. They currently have less than 400 token meters installed in this area and are planning to reduce this further before withdrawing their PPMIP;
- A comprehensive communications campaign that would include a series of very clear written communications as well as proactive outbound calling, which takes account of literacy and language issues and stresses the implications of not having the meter changed. npower has shared copies of their communications with us which include very clear statements that action is required and the supply is at risk of disconnection, including a symbol for disconnection on the envelope;
- A full range of communication channels, including information at the point of sale (posters, leaflets, till receipts), local radio and newspapers, liaison with Consumer Direct and Consumer Focus, local housing associations, MPs and Councillors, CABs and other advice/support groups to ensure widespread awareness of the changes;
- That suppliers have thoroughly reviewed their own records (such as their Priority Services Register and any other indicators) in advance to check for vulnerable customers and if they were not able to access these customers they would be referred to social services;
- That suppliers visit each token PPM premise on at least two occasions to attempt to change the meter – and to check for any signs of vulnerability – and that consideration be given to extensive use of weekend visits/appointments (ScottishPower has advised that they attempt five access visits before proceeding to warrant stage);
- Suppliers are to review and monitor on a regular basis the progress of each of their trials, keeping Ofgem informed, and will not remove the PPMIP where there are a number of token PPMs still to be changed;
- That suppliers follow up all token PPM customers again after the removal of the PPMIP where the customer still had not made contact to check for vulnerability;
- All suppliers are to share with Ofgem and industry the lessons learnt from their trials to facilitate the sharing of best practice to inform future PPMIP removal programmes.