



*Promoting choice and
value for all customers*

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Dear Colleague,

Token Prepayment Meter customer issues

Ofgem continues to monitor suppliers' programmes to replace token prepayment meters (token PPMs). These meters require manual recalibration with price changes and Ofgem has been monitoring this since December 2006 following concerns about debt build-up when recalibration is delayed. Ofgem welcomes suppliers continued progress in this area, and in particular on the removal of these older technology meters.

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is essential that they are proactive in ensuring that no customer is left without supply if the token meter facility is withdrawn in an area. In our last update in February 2009, we set out some steps that we believe, as a minimum, suppliers should be taking to avoid this occurring.

Background

In December 2006 Ofgem published a statement on good practice regarding the recalibration of token PPMs¹. 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 during the first six months of 2009 and our plans to continue to monitor suppliers' performance in this area for the remainder of the year.

Update on progress

The data received from suppliers shows that at the end of June 2009 the total number of token PPMs accruing debt was around **30,000**. This is a significant improvement from the **409,000** token PPMs accruing debt when Ofgem first took action in December 2006 and from the 62,000 accruing debt at the end of 2008.

Information submitted from suppliers shows continued progress on their token PPM replacement programmes. The remaining token PPM stock for the three suppliers who charge in advance of recalibration (E.ON, npower and Scottish Power) is around **54,000** – 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.

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

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

	Dec 2006	Jun 2007	Dec 2007	Jun 2008	Dec 2008	June 2009
Total Number of Token PPMs (E.ON, npower, Scottish Power)	763,000	552,000	438,000	335,000	108,000	54,000
Of those, the number accruing debt	409,000	115,000	85,000	100,000	62,000	30,000

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 January to June 2009 period these suppliers have written off a total of around **£9.3 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 still 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 **158,000**. Suppliers are approaching the end of their replacement programmes and at the end of 2009 they expect to have very few of these meters left. They have also started to phase out these token PPMs permanently from certain areas.

Our last update in February highlighted our work 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. Ofgem developed some principles that set out the minimum steps that we would expect any programme of withdrawal of token PPM facilities to include.

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 the rest of 2009 and will publish a further update on their progress early in 2010.

Yours sincerely

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