Consumer Research on Disconnection Methods
Report by FDS International

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Contents

Management summary

With the introduction of smart metering, Ofgem continues to expect suppliers to give customers multiple opportunities to manage repayments. While there are concerns that smart meters may offer energy companies more opportunity to threaten disconnection or to move credit customers to prepayment meters (PPM), smart meters can also offer companies the opportunity to introduce alternative disconnection methods which may cause less inconvenience and hardship to struggling customers, such as more flexible payment via PPM and faster reconnection.

A programme of qualitative research was conducted to provide Ofgem with insight into customer reactions to alternative disconnection methods for credit customers and alternatives to self disconnection for those who run out of credit on a PPM.

The main options explored were:-

- Load Limiting (electricity usage limited to a maximum load at any point in time OR electricity usage limited over a period of time such as 24 hours).
- Supply limited to certain times of day only.
- Limited credit made available.

Ten depth interviews with chronically sick or disabled customers and twelve focus groups were carried out from 26 October to 15 November 2010.

The customer sample included:-

- prepayment meter customers and struggling credit customers who were potentially most likely to be affected directly by the issues raised
- credit customers who were not struggling and who gave a more objective view of the initiative.

In fact customers who were unlikely to be directly affected tended to react more positively than those who were struggling and more likely to be affected.

Disconnection for Credit Customers

Most respondents had a vague idea of the likely route to disconnection for credit customers. Some felt energy companies had been too tough on customers, although others argued the situation had improved in recent years, with companies keen to avoid negative publicity.

But many research participants felt they would never get to the disconnection stage and struggled to understand how other customers could do so given the existing options of making payments by instalments or of switching to prepayment meters. In south Wales there were comments that one of the main suppliers was reluctant to switch employed credit customers onto PPMs, but the general consensus was that companies were prompt, but not unreasonably so, in agreeing to switch struggling credit customers onto PPMs.

Many participants also believed that energy companies were reasonably accommodating in agreeing repayment terms for customers who had built up debt. Provided the customer stayed in contact, and made the promised repayments, even if these were very small relative to the sum owed, then they would not be disconnected.

Some participants felt customers who had been disconnected or come close had been, at worst fraudulent, at best irresponsible and uncommunicative. Other participants were more sympathetic and pointed out how many households were having to adjust to the loss of their main income. These attitudes influenced reactions to the idea of partial disconnection for credit customers.

A few participants felt further measures to slow the path towards disconnection were unnecessary and could encourage bad payers to string the process out further. But most credit customers who were paying their bills on time reacted fairly positively to the principle of partial disconnection arguing:-

- limited disconnection had to be better than complete disconnection
- continuous low level electricity would enable the customer to keep fridge/freezers on
- if the customer was able to use a few electric lights they would not need to use candles so this was a safer option
- this could give people struggling financially or who had other distractions/issues a short while to sort themselves out

Prepayment Meter Customers

Within our sample of electricity prepayment meter customers were:-

- those who would be unhappy and likely to struggle with any other payment method
- those who paid other bills by other methods but preferred to pay for electricity by PPM
- customers, often private renters, who were not struggling unduly, who found PPMs inconvenient and who would prefer to pay by other means.

When the third group of customers self-disconnected it was generally not because they did not have the money to pay for their electricity but because of unusual circumstances, distractions or carelessness. These customers generally reacted positively to measures that would reduce the inconvenience of disconnection while the individuals took steps to restore full supply as quickly as possible. These respondents tended to respond more positively than others to the idea of topping up from their bank account online or by phone.

However, poorer PPM customers who struggled to keep their electricity meter topped up were more likely to react negatively to the ideas of topping up by phone or online or to partial disconnection, at least if the permitted level of supply was such that it caused serious inconvenience.

They focussed on what they could NOT do with partial disconnection rather than what they could do. So being able to keep lights and their fridge/freezer on were dismissed as unimportant if they were unable to serve hot food and have adequate heat and hot water.

Some grudgingly admitted that having some electricity was better than none at all but others were completely dismissive regarding the initiative as something to hurt poor people rather than help them.

When it was suggested the level of electricity could be increased some then expressed concern about the amount of money they would have to pay to restore full supply. Indeed, a few saw this as a conspiracy by energy companies to make poor people pay more.

There was considerable suspicion of energy companies among poorer adults and concern that they might have to pay unfair premium rates for electricity used in periods of partial disconnection.

They tended to prefer the idea of extended emergency credit rather than face the inconvenience of partial disconnection although some were concerned that if set at too high a level, customers would get used to relying on emergency credit and depend on this.

How partial disconnection might operate

Supporters of load limiting at a point in time, tended to be people who supported the principle of partial disconnection as a short-term measure that would inconvenience customers less than full disconnection and they argued:-

- it was simpler to understand than load limiting over a period of time
- some electricity could always be used so lights and fridge/freezer could be kept on (whereas under load limiting over a period of time all the allowance could be used up in the first hour)
- because it did cause customers real inconvenience they would be encouraged to take prompt action, and avoid increasing their debt unduly.

At least as many participants preferred the idea of load limiting over a period of time, but these tended to be people who were less persuaded of the principle of reducing the amount of electricity a customer could use and who wanted life to be made easier for the struggling customer.

Those who favoured load limiting over a period of time argued that it gave greater flexibility allowing use of appliances (such as microwaves) for short periods that could not be used at all under load limiting at a point in time.

Most people reacted negatively to the idea of having electricity at certain times of day only.

There was a difficult balance to strike between setting the level of electricity permitted so that it would be a significant improvement on full disconnection while not setting it so high that customers were not motivated to take actions to restore full supply. So while some condemned the example of 300 watts (used to stimulate discussions in the groups) because the customer would be unable to cook (unless they had a gas hob), setting significantly higher levels might reduce the customer's incentive to restore full supply.

Respondents made a number of suggestions to strike a better balance:-

- have a phased approach so the level of electricity permitted reduced over time, although this was felt by some to be a complicated approach that would string out the whole process
- link allowances to the household composition and/or previous consumption and/or appliances in home and/or seasons, so a family that heated and cooked by electricity would have a much higher allowance in the winter than a one person household with low consumption patterns might have in the summer.

The type of approach outlined above had some supporters but others argued for a simpler or more consistent approach and were concerned that over-generous allowances may encourage a family to build up debt.

Some argued that households needed to adapt as quickly as possible to their circumstances; and this might mean families whose wage earner had lost their employment being switched promptly onto prepayment meters to prevent debt from increasing.

Some took a very cynical view of customers who had allowed themselves to get close to the point of disconnection. Their belief that such customers were probably capable of paying but delaying as long as possible encouraged them to feel energy companies should not be too accommodating.

Some who took a more generous view, still felt customers needed to be encouraged to face reality before their debts had built up too high.

But others argued that if the customer was now using very little electricity the debt would not be increasing much as the customer might well be saving money to put towards the debt. Such respondents were much more relaxed about time periods for partial disconnection.

In terms of time limits, if the level was set very low it was expected that customers would seek to restore supply promptly but if they failed to do so the debt was not increasing quickly, so there was somewhat less urgency than where the level was set more generously. Suggestions of a week or two weeks as maximum periods permitted for partial disconnection were suggested though some favoured longer periods on the basis the debt would be barely increasing.

Communication

When the issue of customer communications was raised, respondents suggested that PPM customers would be informed about how the emergency credit and partial disconnection would operate when they signed up or switched to a PPM and that there would be further reminders such as their smart meter or in-home device beeping to advise them they were approaching a period of partial disconnection.

For credit customers, it was expected that at the time customers currently receive communications about disconnection, they would be informed about partial disconnection and the steps that would follow if they failed to take actions to restore full supply.

Customers would need to be told very clearly how much electricity they could use and how much electricity different types of appliances used.

For some respondents, the necessity for clear but detailed communication and likelihood of high volumes of customer calls being stimulated argued in favour of the simpler option of increasing the level of emergency credit permitted for prepayment customers.

Safeguards for vulnerable/disabled customers

Participants felt the safeguards that were currently in place for vulnerable and elderly customers in relation to disconnection should also apply to partial disconnection.

Some respondents also argued that families with young children should also be safeguarded from disconnection and some argued in favour of protecting all families with school age children although currently families who are PPM customers may and do self-disconnect.

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1. Background

By 2020, and possibly well before this date, all homes in Great Britain should have had smart energy meters installed. This will deliver potentially significant benefits to consumers including:-

- real-time information about energy consumption, helping people make energy savings
- more accurate bills/no estimated bills
- no need for meter readers to visit their home.

There will also be the potential for an improved service to prepayment customers through remote topping-up over the internet or telephone and it will be easier to switch between prepayment and credit payment methods.

With the roll out of smart meters Ofgem is reviewing the current protections around disconnection to ensure customers, particularly the vulnerable, continue to be protected. Ofgem will also be looking to ensure that there are appropriate protections around remotely switching customers to prepayment terms.

Smart metering can make possible a number of alternatives that suppliers may use to encourage customers to enter a debt repayment plan. These may include limited or partial disconnection where the supplier restricts the amount of electricity available to the customer.

This may work in a number of ways including:-

- load limiting where the customer is allowed a maximum supply at any one moment in time
- load limiting where the customer is allowed a maximum supply over a period such as 24 hours
- or disconnection or limited disconnection for part of the day

Or there could be other approaches to debt management such as the use of limited credit where the end result is that the customer can be left without supply if they do not repay the debt or enter a debt repayment plan.

Load limiting could also be useful to electricity PPM customers as an alternative to self-disconnection where customers run out of energy as a result of using up their emergency credit.

Research objectives

1. Explore customers' attitudes towards the following alternatives to disconnection of electricity supply for non-payments
   - different versions of load limiting
   - disconnection at certain times of day

2. Explore customers' attitudes towards the above alternatives to self disconnection where a customer runs out of credit on a prepayment meter (PPM)

2. Approach

A qualitative approach was adopted so that the propositions could be fully explained and explored and linked to individuals' current behaviour and attitudes.

Qualitative research also allows more in-depth explorations of people's attitudes and beliefs than is possible with a quantitative approach.

The research comprised:-

- twelve focus groups with various categories of energy customers
- ten in-home depth interviews with a mix of people that were chronically sick, sight impaired, wheelchair users or having limited mobility.

The twelve focus groups comprised mainly customers who were most likely to be personally affected by any changes but also included two general groups of energy customers who were not struggling to pay bills. The latter group was included to understand their views of the propositions given they are also energy bill payers. The table below illustrates the composition of each of the 12 focus groups.

Focus Groups				
Electricity Payment Method	**Financial situation**	**Urban/rural**	**Demographics**	**Location**
Half PPM/Half credit	-	Urban	70+; C2DE	Bristol
Half PPM/Half credit	-	Urban	70+; C2DE	Edinburgh
PPM	-	Rural	21-69; C2DE	Scotland
PPM	-	Rural	21-69; C2DE	Wales
PPM (at least half disconnected in last year)	-	Urban	50-74; C2DE; no children at home	Cardiff
PPM (at least half disconnected in last year)	-	Urban	21-49; C1C2DE; children aged 0\15	London
PPM (at least half single parents)	-	Urban	21-59; E	Leeds
Credit /PPM(at least half heat with electricity)	Struggling to pay bills	Rural	21-69; C2DE	Dorset
Credit	Struggling to pay bills	Urban	21-49; C2DE; children aged 5\15	Croydon
Credit (at least half heat with electricity)	Atleast half struggling to pay bills	Urban	50-74; C1C2DE; no children at home	Walsall
Credit	Not struggling to pay bills	Urban	50-74; ABC1C2; no children at home	London
Credit	Not struggling to pay bills	Urban	21-49; ABC1C2; children aged 0\15	Leeds

3. Smart Meters/In-Home Devices

Key points

- Many reacted quite positively to the prospect of smart metering seeing potential benefits of more accurate billing and opportunities to save energy.
- Some reacted more negatively, in a few cases because of concerns about energy suppliers or the government knowing more about a household's usage, but more commonly because people did not expect to make the effort to save energy.

At an early stage in the discussions the subject of smart metering was introduced. The focus of the research was on alternatives to disconnection so the broader issue of smart metering was not discussed at length but it was useful for participants to understand the context in which alternative forms of disconnection might be introduced.

Reactions to the idea of energy companies being able to read meters remotely were generally positive. People could see advantages in:-

- readings always being accurate
- no need for estimated readings
- no requirement for the customer to provide readings
- no need for meter readers to visit homes.

A few participants voiced spontaneous concerns about 'Big Brother' and about energy companies having too much information about the customer, and these doubts were raised mainly in the two South Wales groups but also in Croydon. In contrast, in some of the groups in England, even when moderators prompted respondents on this issue little interest or concern was expressed.

This woman in the rural Wales group was concerned that the meter would be used to make sure people were saving energy appropriately:-

"If you're supposed to be recycling and if you're putting plastic in the bins, they can fine you for that now. But it would be like that. That's what the meter's about."

Having described the idea of smart meters as 'too much like Big Brother' a Cardiff man explained his concerns which were similar:-

"Because you've got a meter in your house, and the government decide right this greenhouse effect, we'll start charging them for their emissions. He's using a lot, he can pay more."

A Croydon woman described the idea of a smart meter transferring information direct to the supplier as 'invasive' and queried:-

"Do they then have the ability to then start turning things off and switching things round?"

Nevertheless reactions to the smart metering element were generally positive and more consistently so than reactions to the in-home device that would be provided to customers to help them keep track of and control their energy usage.

Most participants felt an in-home device would be potentially useful as:-

- it would help people to know how much energy specific appliances were using
- if a traffic light system was featured it would act as a reminder to people to turn appliances off and conserve energy
- it would make people more conscious about using energy
- it could be used to inform/remind other household members not to waste energy (although some were concerned that the presence of the device could cause household arguments).

Some participants were sceptical and some were negative.

Some felt any gains would be very short-term:-

"I've seen them on Martin Lewis's website but from my point of view it would be a gimmicky thing that you might watch for a month but you're still going to put your kettle on, you're still going to. You're only bothered about your £50 a month or whatever you're paying."

(Leeds, male, credit, not struggling)

In general, those who were the most keen to save energy reacted the most enthusiastically to the idea of an in-home device, but there were some participants who felt they were already taking the steps they could take to save energy and were doubtful as to whether the device would tell them anything new. However, the most negative reactions to the device came from the more apathetic and fatalistic who made little if any serious effort to save energy, and who argued that the device would be unhelpful because the appliances being used were the ones the household had to use.

Some of those who responded more positively realised that by paying attention to the device and increasing their understanding of how much different appliances used, and how much they used on different days of the week, they could reduce the likelihood of being confronted with unexpectedly large bills or self-disconnecting if a PPM customer.

As the discussion moved on to alternatives to disconnection such as load limiting some participants linked the smart meter or the in-home device to these discussions. So some suggested the IHD or smart meter could provide a warning to customers that they were approaching the point where they would experience a limited disconnection. And some could see the value of the limited load maximum corresponding to the 'Green' or possibly the 'Amber' period of the IHD.

4. Route to Disconnection for Credit Customers

Key points

- Some participants felt energy companies were too quick to disconnect customers but a more common view was that provided they communicated with their supplier, struggling credit customers would be given time and different options to clear a debt.
- Credit customers varied in their willingness to be switched on to PPMs, although many participants felt this was the obvious solution for struggling customers.

Discussions covered methods of paying bills and most participants who did not pay for energy through PPMs favoured direct debit although some preferred quarterly bills. Among poorer adults we found a great deal of suspicion relating to making payment by direct debit, or even by other bank-related means.

Suspicions revolved around:-

- possibility of errors
- paying in advance
- paying excessive amounts by direct debit then the company refusing to make a cash adjustment, instead adjusting monthly payments.

"I pay by cash. I just don't want them having anything to do with my bank account. The only direct debit I've got is for my gym so I know exactly how much is coming out each month. I've had a direct debit in the past and more than the actual amount has come out of my account which has caused a charge with my bank as well."

(Croydon, male, Credit, struggling)

Some people had found energy companies to be sympathetic when they were struggling to pay bills, although the Croydon woman whose comment is shown below also appeared to suggest that as she paid the same in summer as in winter, but used less electricity in summer, then she may have been in credit at this time:-

"I have had some problems paying my bills the last couple of months and they have let me not pay a direct debit at all so (my supplier) has actually been quite good. I rang them up and said I can't pay the bill and they said fine, okay, you don't have to pay the direct debit this month."

Several respondents in the Croydon group regularly paid some time after receiving the red reminder.

For some this was on principle, paying bills "as slowly as possible". For others it was a mix of principle and necessity as the initial bill arrived at a time they had insufficient funds to pay it.

Some participants who had struggled to pay bills had not been too unhappy at being switched onto prepayment meters.

In the Bristol group of over 70s for example, one woman who had been switched on to a prepayment meter had been anxious to stay on a meter as she felt confident she could now manage. Another man felt confident he could now manage as a credit customer but had become used to paying by meter and had felt no need to switch back.

A woman in the Croydon group had been threatened with complete disconnection of her gas supply or being put on a prepayment meter:-

"...which has a standing charge of 50p a day plus they want to take for the two bills that were outstanding from the meter X amount a week so I don't even know what I'd need to be feeding into that to get any heat or hot water in the day. So I wasn't really in the plan and we had a big big argument and I said I wouldn't have gas at all and because of the children, they didn't want me to go that far. They don't want you to be that sort of cut throat and say alright, take the meter out."

Some struggling credit customers such as this Walsall woman expressed considerable reluctance at the prospect of being switched to prepayment meters because of difficulties paying bills:-

"We're on a limited budget, if you haven't got the money you are doing without electric. I'm sitting there with three kids and no electricity. If it stays on the meter, I've got electric. I know the end of the month is coming and I haven't got the money to pay them. I haven't got all of it to pay them but I've still got electric and I can deal with that at the end of the month when they start sending the red letters. I can then start sort of saying 'well look I can pay you x amount this week, x amount next week, if I'm on a prepaid meter, I can't do that. It's literally I've got to feed the meter and then we don't eat because that's the choice."

In Wales, some respondents said their supplier was reluctant to put working customers on to prepayment meters. Credit customers who had been used to PPMs in previous homes, had requested to go on to PPMs, but had been refused by their company. A few participants claimed to know of people who had gone into arrears deliberately in order to push their energy company into providing a meter.

Sometimes customers refused to pay bills and moved some way down the path of action being taken against them because of disputed bills, for example when a new occupant in a property said part of the bill they were being asked to pay related to energy used by the previous occupant. This issue was touched on only briefly in some groups but it is clearly highly undesirable for an honest customer to be disconnected if they are not making payments because the bill is in dispute.

A struggling direct debit customer in the rural Dorset group had a somewhat different issue.

His wife had been visited by a sales representative who, according to the respondent, brandished a leaflet which was two days out of date. His wife had signed up, having been convinced they would save money as a result of doing so. In fact the package they were signed to involved a graduated tariff with units being cheap/free up to a certain level only, but premium prices being charged above that level.

Because they used night storage heaters they ended up receiving a huge bill they could not pay:-

"We got a letter from them saying you owe us this much money. She got on the phone, said we can't pay it. They sent us another letter, after agreeing we'll pay so much back. Sent us letter back saying you haven't paid what we're asking you to, we're taking you to court."

When they threatened disconnection the customer switched to another supplier and arranged to pay back the outstanding bill over time.

While few participants had direct experience of disconnection, most respondents had a vague idea of the likely route to disconnection for credit customers. They expected it to run over a number of months and involve repeated reminders to pay and attempts to speak to the customer. Disconnection would occur if a customer refused a PPM and repeatedly failed to make payments. Some felt energy companies had been too tough on customers, and a woman in the Cardiff group said her ex-husband had worked for a supplier in the past, and had sometimes disconnected three families a day. She also claimed a single mother living nearby had been disconnected over a relatively small sum and had then been without electricity for three months.

However, others argued the situation had improved in recent years, with companies keen to avoid negative publicity, particularly if the sum owed was modest and the customer was a single parent or elderly or disabled. Indeed, a few argued that companies should chase debt more quickly and prevent it building up:-

"I know people that have gone on and it's gone on a good six months before they've and within that six months, they've really built up a massive owing. They need to do it quicker."

(Walsall, female, struggling credit customer)

Many research participants felt they would never get to the disconnection stage and struggled to understand how other customers could do so given the existing options of making payments by instalments or of switching to prepayment meters.

"If you can't pay it and you get in touch with them they're still going to work something out with you. It's the people who are not getting in touch, just being ignorant and oblivious to it."

(Leeds, male, credit, not struggling)

This meant that some participants felt customers who had reached the disconnection stage were criminal, fraudulent or possibly so disorganised that it was reasonable for steps to be taken against them. This coloured their views of slowing the route to full disconnection by introducing partial disconnection.

Other respondents were more sympathetic, particularly in light of the increase in unemployment which had affected households used to a steady income.

An elderly Edinburgh woman argued that energy companies should offer personal financial advice to those willing to receive it:-

"The power companies, before they disconnect you, will send someone to see you to try and sort your financial problems out, because some people will have financial problems. They cannot do it unless you are willing to let them inside."

(Edinburgh, female, 70+)

There were a few respondents that argued that disconnection was a disproportionate and inappropriate response to non-payment of bills especially if the amount was small. Others acknowledged that while some customers merited help and sympathy there were others that were fraudulent and deserved to have action taken against them.

Participants suggested the onus should be on energy companies to establish what kind of customer they were dealing with and tailor their approach accordingly:-

"I think in the days when like for instance everybody got their gas from British Gas, British Gas…what they liked they could treat customers in any way because there is no element of competition. And that's probably one of the reasons why there still is an old ethos of this way of dealing with things, but nowadays it's important to look after your customer. I mean there are customers most people don't want, but then somebody has to assess that and say it's no good dealing with these people because we go in the meter's been trashed and all that sort of stuff. But there are a few, the problems of non-payment are resolvable at some stage or other. If somebody said they'd lost their job, there was an income coming in, next they're on whatever you get, I forget what it's called, then it stands to reason that you can't pay that. But you could say well I could pay the equal percentage of what I'm getting. That way you keep the customer and the company gets a chance of getting its money back."

(London, male, credit, not struggling)

Several respondents across different groups suggested energy companies needed to accommodate customers struggling (for example due to loss of employment) while being quick to act when customers deliberately withheld payment.

Participants sometimes showed limited understanding of the difficulties an energy company might face when dealing with the issue of whether a customer was in difficulties or acting unreasonably, particularly if the customer was uncommunicative. And a Cardiff woman now paying by PPM showed no recognition that her energy company was trying to help her when they asked her to repay a debt at the rate of £5 a week and she said she could not pay it, and that this was a huge sum for someone who did not have £5. In the same group respondents talked of water companies writing off huge sums of money where customers had not paid bills, but had not been faced with loss of supply.

In some of the later groups and depths we presented respondents with a scenario of a customer who had paid bills in the past, but who had also struggled at times. This led to him agreeing to have a PPM installed but he was told that it was not possible to install a PPM in his property for safety reasons. Eighteen months later the customer was again late with payments and had been uncommunicative.

Some respondents felt the customer deserved to be at least threatened with disconnection because he had not made payments nor kept in touch with his energy company:-

"If they're putting plans in place to pay it back, it's more people just being ignorant for one reason or another not getting in touch with them, making sure they're not taking phone calls that they're getting the reminder letter but not doing anything with them, that would prompt them to do something. That's all they're wanting them to do by the sounds of it is just get in touch and find out."

(Leeds, male, credit, not struggling)

A few respondents suggested that excessive leniency may result in good payers subsidising poor payers. Others pointed to the fact the customer had paid regularly for periods in the past and that he should be given every possible opportunity to come to an agreement regarding payments.

5. Prepayment Customers

Key points

- Most of the PPM customers in this study preferred this method of payment as it was familiar, helped them budget and avoid nasty surprises.
- Nevertheless, many of the poorer customers especially, felt PPM customers were treated badly by their suppliers because they paid more for their electricity than more affluent direct debit customers.
- PPM customers who held cynical views about their energy suppliers and were apathetic regarding initiatives to help them reduce their energy consumption tended to react negatively towards options for partial disconnection.

The research programme was designed to cover a full spread of prepayment customers in different parts of Great Britain. The sample design ensured the following types of prepayment customer were included:-

- over 70s
- households with adult(s) of working age with no-one employed
- single parents
- households which had self-disconnected their electricity supply in the last 12 months
- households reliant on electricity for heating.

This design ensured inclusion of financially vulnerable participants although in the London groups, in particular, there were also PPM customers who were not necessarily struggling financially but had moved into rented accommodation where the PPM was already in the property and the landlord was keen to retain it.

Across the groups it will be helpful to consider three categories of PPM customers:-

- committed to PPM
- prefer PPM
- prefer other method of payment.

Committed to PPM

These participants had typically been PPM customers for a long time for both gas and electricity (and were likely to be Pay as You Go mobile phone customers too).

Some had no bank account, and in a high proportion of households, there was nobody employed so income was low. Most pensioners paying by PPM fell into this category.

They were struggling financially, living day-to-day and doubted their ability to use other methods of payment, welcoming the financial discipline their meter imposed on them.

Some had experience of other payment methods in the past and had struggled, sometimes building up debts as a result.

For these customers, there was minimal inconvenience in paying by PPM or that inconvenience was easily offset by other advantages of this payment method. However, as elderly customers aged, this could become a less convenient and practical option.

Prefer PPM

Some of those who paid for electricity paid other bills by cheque or direct debit but generally preferred and felt more confident with a PPM as there were no hidden surprises. Some had experience in the past of paying for energy quarterly or by direct debit.

These customers were often low wage earners.

Prefer other methods of payment

People in this group were generally relatively new to PPMs and not struggling greatly in financial terms.

They paid most bills by direct debit or cheque and several were credit customers for gas.

Typically they had moved into privately rented accommodation where there was a PPM and the landlord had been keen for this to be retained, or had been unwilling to pay to have it taken out.

Some of these PPM customers had been credit customers for electricity in previous homes. They generally found having a meter inconvenient because of the need to keep it topped up. But most had outlets close to their home and found the levels of inconvenience tolerable.

In this research, those who would prefer to pay by cheque or direct debit tended to be moderate wage earners.

There was also a small subset of individuals who were not keen on paying by PPM, and would rather pay by cheque/direct debit, but because they were or had been paying off a debt had been required to have a meter. These customers were poorer and had limited income coming into the household.

For some, especially the longer-term PPM customers, the main advantage of paying in this way was familiarity/habit.

They were used to managing and budgeting in this way, had got used to the inconvenience, and were often nervous at the prospect of paying in any other way.

Paying by PPM was less stressful as they were not worried about receiving large bills or about banks or energy companies making mistakes with bills or payments.

The main advantage seen of paying by PPM was the greater control it gave them:-

- they are not confronted by bills they might struggle to pay
- they know how much they are using/paying (although this argument applied less strongly where customers were repaying a debt and where the meter was not easily visible).
- some, especially those without children, would allow the meter to run down and not add extra money on when they had other bills or payments taking priority.

Some of those paying by other means saw PPMs as suitable for people moving away from home for the first time as they would help people manage their money and avoid getting into debt.

Some customers said having a PPM encouraged or forced them to avoid wasting energy. On a chilly evening they might put additional heaters on if they did not have to pay for the electricity bill months down the line so they thought they used less energy as they had to keep paying for it as they used it.

For many PPM customers it was a convenient way to pay. They topped up at local shops they were likely to visit anyway, and as some had no bank accounts, other payment methods were potentially more awkward.

While paying by prepayment meter was found to be convenient for some, those who would rather pay by other means regarded it as inconvenient and a hassle. Those currently paying by cheque or direct debit often viewed the prospect of paying by PPM with a degree of horror due mainly to the perceived inconvenience of paying by PPM, which was related to the potential threat of disconnection.

Some PPM customers take considerable care to avoid disconnection. For a widow in the rural Dorset group who had health problems and heated her home with electricity, there was a constant fear that she could run out of electricity and she took great care to reduce the likelihood. She had felt humiliated a couple of years earlier when she ran out of electricity as she could not leave the house due to illness and had to ring her daughter, a mother with young children living 100 miles away, to come down to help her.

Others experienced the inconvenience of running out of electricity several times a year, in some cases more than once a month. This was inconvenient, especially for people in rural areas who lose power at night.

A cheque payer in the Walsall group who had struggled to pay energy bills was resolutely opposed to switching to a prepayment meter. The main reason was that if she had no money to pay bills she would have no electricity supply, whereas as a credit customer she would have an uninterrupted supply while she bought time to pay bills. The threat of losing electricity supply was perceived to be a key disadvantage of switching to PPMs for credit customers.

Another disadvantage was the slight stigma attached to being a PPM customer. This was felt more keenly by the over 40s than the under 40s, but some would not like to think of themselves as PPM customers or be viewed by others as PPM customers.

Most long-term PPM payers, especially those who felt this was their only realistic payment option, believed they were paying more for their electricity than direct debit customers, and for some this was a major grievance that contributed to them having a very jaundiced view of energy companies.

"But with these prepayment meters I believe they charge more for the energy, so vulnerable people who can't pay their bills are paying more for their energy….the companies are charging them 25% more."

(London, male, struggling credit customer)

Some PPM customers appeared to have little knowledge of or opinions regarding the energy market and pricing utilities. But numerous respondents, especially PPM customers argued that energy was very expensive with charges having increased in recent years helping companies to make big profits. It is important to understand these attitudes, as those poorer customers who held cynical views of their energy companies were often most suspicious of possible changes and the motives of those introducing changes.

Some PPM customers felt energy companies treated PPM customers especially poorly. They argued that PPM customers paid upfront so were actually the most reliable customers for energy companies, but were treated as if the opposite was true.

PPM customers said that despite being poorer, they were charged more for their gas and electricity than direct debit customers. And some complained that customers were required to pay unrealistic amounts to clear off debts. For example, a mother in the Leeds group with no wage-earner in the household reported having to pay £10 to receive £3 worth of electricity.

PPM customers argued energy companies might have to chase credit customers for payment and some argued PPM customers were more profitable to energy companies than other customers. In the Leeds group of PPM customers we found individuals could simultaneously hold the view that PPM customers were more profitable while observing that energy sales reps, signing up potential switchers in shopping centres, lost interest when they found they were PPM customers.

While some PPM customers complained that they had had meters that broke down there was little corresponding appreciation that it might be expensive for energy companies to maintain, repair and replace meters and there was resentment at charges incurred for losing keys/cards. A woman in the rural Wales group whose husband lost the key said she had to pay £54 as an emergency out-of-hours call-out fee to have a replacement key brought out.

The cynicism with which customers viewed energy companies appeared to be based, in part at least, on reality, although a degree of prejudice also appeared evident.

Some people described bad experiences they had as PPM customers.

A young man in the rural Dorset group was one of the best informed respondents and he gave a very clear account of his experiences in a previous home when 'the Transco people' arranged to check the electricity meter outside his home:-

"I was going out to work that morning, I looked at the meter and I had just under £1 on there. Thought I won't need to worry tonight I can get some tomorrow morning. I came back from work to find myself on the last couple of pence of the emergency because when they came out (the energy provider) realised that I had been charged at the wrong rate for the past two years. So when I'm paying my £5, it should have been lasting less time than it actually was. So it used up all but the last 5 pence of the money that I had on there, and then every card I put in £5, I'd only get £2 worth of electricity because they were taking all the rest of the debt. Yet it was their cock-up, they didn't keep the meter upgraded to the correct rate."

This customer found himself having to pay back £160 despite having no idea he had been paying less than he should have. So the failure of his energy provider to make regular checks on its meters had caused him hardship and inconvenience.

In the Leeds group of PPM customers with no-one employed in the household, two single mothers described their circumstances somewhat less clearly but other group participants were appalled at their stories and some suggested actions they could take.

One single mother, who clearly lacked confidence and might have struggled to build up the confidence to challenge her energy company, had been placed on an electricity PPM two years ago because she had owed £2,000. She thought she had paid off that debt (partly because when she pressed a button on her meter it now showed the debt at zero) but was continuing to pay £35 a week for her electricity in a two-bedroom house. (Others living in similar houses were paying much less than this). She had had no communication from her energy company about the debt or in relation to adjusting her meter.

A more alarming, but more complex story was presented by another single mother who claimed to have overpaid her gas supplier by £1,700 as a result of them having come round with a warrant to fit a prepayment meter to collect a debt she says was built up by the previous occupant. Her supplier refused to pay this back in a lump sum, but instead had set her energy at a very low rate, effectively reducing the sum owed gradually over time.

She had managed to find the money to pay for her energy but would obviously have preferred to receive a cash payment in preference to the reduction in the charge. She planned to make a complaint to 'the ombudsman' in the spring after collecting details of meter readings and payments over the winter.

When these stories were recounted in the Leeds group there was a hardening of the general belief that energy companies are unfair in their treatment of poor PPM customers.

Other groups of poorer customers also expressed jaundiced views of energy companies based on a mix of their experiences, experiences of people they knew and things they had picked up in the media, as well as, in some cases, a general perception that in society as a whole the die are loaded unfairly against poor adults.

Many of the poorer customers were unaware of Ofgem or of a regulator or ombudsman for the energy industry. Those who were aware, hoped Ofgem would take a firm line with energy companies who were treating customers unfairly.

In the next sections of this report the issues of self disconnection and the potential for alternatives are explained and discussed. These alternatives, at first glance, represent an improvement on complete disconnection, because the customer would be able to make limited use of electrical appliances. But attitudes to energy companies were very important in this context as while respondents were encouraged to consider each idea on its merits, reactions to propositions linked to alternatives to disconnection often appeared closely linked to the degree of cynicism felt towards energy companies.

In some groups it also appeared that those who were more proactive were more positive towards the initiative than those who were more passive and least inclined to take actions that might help themselves.

So, for example, a woman in the Leeds group who paid more than she needed to on her prepayment meters in the summer months in order to build a cushion for the colder winter months when she used more energy, reacted quite positively to the idea of partial disconnection arguing it was better than complete disconnection.

In contrast, reactions to the idea of partial disconnection were more negative among PPM customers across different groups who were dismissive of In-home Devices on the basis they had to use the appliances they used and appeared to think there was little they could do to help themselves reduce energy usage.

These mothers said their households used a lot of electricity as they often had several computers switched on at one time, or in one case because the washing machine was used almost continuously to provide her children with three changes of clothes per day. These mothers were disinclined to change their habits, and they did not like the idea of their households not being able to use the appliances they wanted to use.

The point is that when discussing issues such as partial disconnection participants bring to the table their attitudes towards energy companies, their views of conserving energy and their habits and practices in relation to managing their households. Reactions to partial disconnection were sometimes rational and sometimes apparently irrational, but even the apparently irrational responses were often explainable in the context of that individual's existing views, experience and behaviours.

6. Self-Disconnection

Key points

- Permitted levels of emergency credit vary by customer.
- Some customers ensure they never self-disconnect, others do so occasionally due to unusual circumstances or carelessness while some of the poorer customers do so at least fortnightly because they have no money.

The amounts of emergency credit customers were permitted varied greatly by individual, including individuals with the same supplier. Some had only £4-5 of emergency credit, others had £10-14 and a couple had £20. It was not always clear why there were such differences. Some customers said they had been given a choice of what level of emergency credit they would like, but the highest amount mentioned by a respondent given a choice was only £14. Some were unhappy at being given only £4 emergency credit and several said they would like more.

However, not all customers welcomed the idea of higher levels of emergency credit as they felt this would reduce their incentive to avoid slipping in to their emergency credit, which some claimed was charged at a premium.

Some said they had to pay back the emergency credit in full before they could restore supply, others said their subsequent payments were adjusted so they could pay back the emergency credit over a few weeks. One respondent thought she had not had to pay anything for the electricity used during the period of emergency credit. This mother from the Leeds PPM group described the most common procedure:-

"When I run out of electric or gas, all that happens is I get a charge of £6, so just say for example if I've got that charge on my electric meter, I will pay say about £15, take £6 out of the £15 and what's left is for my electric and that's the debt paid."

Some respondents thought they were paying over the odds to restore supply. So for example, they thought they would have to pay £6.50 or £7 to clear the £6 of electricity used during a period of emergency credit.

Another difference across customers was while some said that when they ran out of electricity it was usually at night when it was most difficult to restore supply, a few participants in different areas said their meter was programmed so they were not without electricity at night, typically from 9pm to 9am.

Previous quantitative research conducted for Consumer Focus suggests around one in five electricity PPM customers self-disconnect in a typical year.

Understanding the views and experiences of such customers and their reaction to options for partial disconnection was essential, and some of the PPM groups were recruited to include at least 50% of self-disconnectors.

In fact, because other groups (such as those with no worker in the household) targeted poorer PPM customers, over the research programme about half the PPM customers had self-disconnected in the last year and some did so on a regular basis.

The three broad categories of circumstances leading to self-disconnection were:-

- unusual circumstances
- poor financial management
- poverty.

Clearly there is overlap between these different circumstances and one might argue whether some individuals disconnect because of poor financial management or lack of money but it is helpful to view self-disconnection in this way because the typical circumstances of self-disconnection often tie in with their attitudes to partial disconnection.

In some cases unusual circumstances had prevented people from accessing their emergency credit.

So one young Londoner reported deciding to stay an extra week when on holiday and being unable to access the emergency credit because he was not physically able to put the key in to access it:-

"When we got back the fridge had defrosted and we had tropical fish, all of them dead."

Lost keys could also prove a problem:-

"I had emergency but I couldn't find the key to put the key in... I had to wait about four hours for somebody to come out."

(London, Female, Under 40)

A father reported how other more pressing priorities caused him not to ensure his electricity supply was topped up:-

"When my son was born it was quite hectic. We had to go backwards and forwards to the hospital because my missus had to stay in a week with my son who had a chest infection so things were a bit crazy."

(London, Male, Under 40)

These customers were all receptive to the idea of topping up online or by phone and debiting their current accounts to make payments to their meter. Had this option been available to them they would have been less likely to have run out of electricity.

Essentially their problem was one of circumstances, not lack of money. So if they could have avoided the inconvenience of losing their electricity supply then they would have been pleased to accept that option. For customers such as these, some form of partial disconnection would have been less inconvenient than complete disconnection.

Some customers said that carelessness rather than lack of finances was the reason for them occasionally running out of electricity. The likelihood of this happening might be greater in homes where the meter was not easily visible or was outside the property. These customers were less likely to hear the warning beeps that would have told them they were approaching their emergency supply. For those running out of electricity due to circumstances or carelessness rather than poverty, finding the time or opportunity to visit an outlet to top up was the barrier to getting supply restored quickly.

Some of these customers were generally more likely to react positively to the idea of topping up online or by phone, and they generally viewed partial disconnection as less inconvenient than full disconnection.

It is also worth pointing out that some PPM customers avoided disconnection by making sure they never got near to the emergency credit and this included a small number who overpaid in the summer to prepare for winter. It was those who had no buffer on their meter who were more vulnerable to unexpected usage tipping them into emergency credit and beyond.

For some customers, lack of money was the real problem, and some of these customers regularly flirted with or actually experienced full disconnection. The problem was not that they did not know they would soon run out – but that they had no or little money to put on their meter when they did.

Some of the single mothers ran out of electricity at least twice a month:-

"Because I have got how many bills to pay besides that, and obviously live at the end of the day and make sure my little girl is fine and all the rest of it, so I do get into that situation quite a lot actually because it's like as I say you know that saying robbing Peter to pay Paul it's like that type of thing, so I am juggling with all my debts together so I have to miss one out one week I can't afford the electric or gas because I have to pay this…."

(Leeds, Single Mother, PPM customer)

Poverty and lack of income were recurring themes in groups with poorer PPM customers, especially those with no wage-earner in the household. A woman in the Dorset group also said she was struggling even though she and her husband were both working.

For these customers, the challenge was finding or borrowing the cash to restore supply rather than the difficulty of visiting a Paypoint outlet, although that could also be a challenge, especially for single mothers with young children, or those in rural areas running out at night.

The discussion focussed mainly on electricity, but many customers had also run out of gas. There would be additional problems associated with electricity (such as a fridge defrosting) that would not apply to gas, but some found loss of gas supply to be at least as inconvenient as loss of electricity.

7. Reactions to the Principle of Partial Disconnection

Key points

- Most participants gave a cautious welcome to the principle of partial disconnection if introduced at the time customers would currently experience full disconnection.
- PPM customers were divided on the idea of partial disconnection, with reactions generally more positive among those who were better-off than among the very poor.
- Those who reacted negatively to the idea of partial disconnection tended to be suspicious of the motives of energy companies and argued that they should focus their efforts on making energy more affordable to poorer customers such as themselves.

In some groups respondents introduced spontaneously the idea of people struggling to pay energy bills receiving some kind of limited supply.

A PPM customer from Dorset had read in The Times about smart metering, and the options that might create for less drastic forms of disconnection. His take from the story he had read had been positive.

In the Walsall group of credit customers aged 50-74 some respondents were resolutely opposed to the principle of energy customers being disconnected.

One woman suggested:-

"Keeping the energy in the house but only for essential things rather than the tumble dryer or computers. Find a way of stopping the use for that but just keeping enough energy in the house to be able to maintain a life."

Much of the debate around partial disconnection revolved around the way it would operate and the amounts of electricity permitted. For many participants, this is a reasonable idea in principle, but in practice only a good idea if allowances are set at realistic levels.

Nevertheless, there were some clear principles behind positions taken by respondents.

Use of Partial Disconnection rather than complete disconnection to Make Life Easier for Customers In Debt

Most felt this was a good idea in principle because:-

- customers would be given a little more time to find their feet
- nevertheless the inconvenience would encourage customers to pay
- but they would still have some electricity in their home enabling them to use electric lights rather than candles and retain the contents of their fridge/freezer.

For these respondents complete disconnection was seen as a last resort that should only be employed in extreme circumstances. With unemployment likely to be high in the foreseeable future and many people having to adapt to the loss of a regular income, most respondents felt customers need to be treated with understanding by their energy suppliers.

However, two groups of respondents took somewhat different positions.

Minority View 1

These respondents expressed the view that energy companies have become much better at giving customers time to pay and following set procedures. Customers who get in touch with their energy companies are offered different options such as repayment plans or switching to prepayment meters.

The view of these respondents was that suppliers should not be overly sympathetic to customers who:-

- fail to contact or respond to their energy provider
- fail to stick to repayment schedules agreed with their provider.

Customers should avoid building up further debts and should be encouraged to pay in full for energy used, rather than risk increasing the debt. Customers who reach this position are likely to be deliberately fraudulent or keen to extend as far as they can the repayment period even if they are fully able to pay.

These respondents argued that customers should not be encouraged to delay payments by unduly lenient treatment received when they get into debt particularly if the net impact is that honest, responsible people who pay on time end up subsidising less honest people.

These respondents tended to be sceptical regarding partial disconnection rather than determinedly opposed, but they were generally unconvinced by the principle. For example, an elderly man in the Bristol group reacted to both load limiting at a point in time and load limiting over a period of time arguing:-

"To be very truthful with you, the object of this is to try to get people to pay their bill. Well I can't see either one of these two getting people to pay a bill. I can see it giving the person a little bit of power or whatever, but I cannot see it forcing anybody to pay their bill."

Minority View 2

These customers were opposed to full disconnection and tended to be suspicious of partial disconnection as they felt it would cause hardship to households.

They worried that customers may try to live on dangerously low levels of electricity (for example a family having inadequate heating in winter).

While a few respondents expressed these minority views, in principle, most participants felt some form of partial disconnection may have much to recommend it:-

- If a customer was failing to pay bills or communicate with their energy supplier then this might encourage them to do so.
- If a customer owed money then partial disconnection might help cap or slow the growth in the amount of money owed.
- It was not as inconvenient or as dangerous as full disconnection, and some felt that while it could be awkward to restore supply to someone who had been disconnected it may not be as awkward to restore full supply to someone experiencing partial disconnection.

Objections to partial disconnection usually emerged only when people saw the examples provided of how this might operate in practice, or had more opportunity to discuss and consider how it might operate.

These views are based on the idea of customers being threatened with and experiencing partial disconnection at the equivalent stage where customers are forced with or experience full disconnection.

This was essentially how the idea was presented and how it was expected to operate. Nevertheless, some could see partial disconnection being used at an earlier stage than complete disconnection is currently used.

This was generally seen as unreasonable, and too hard on financially struggling customers. In these circumstances participants would be more likely to share the views expressed under the heading 'Minority View 2' i.e. they would be much less supportive of the principle.

In contrast some of those sceptical about partial disconnection because it might give 'can pay won't pay' customers the opportunity to string the process out felt introducing the idea of partial disconnection before customers are currently threatened with full disconnection was not unreasonable and positively beneficial as it could give time-wasting customers an incentive to pay. But this was very much a minority view.

Partial Disconnection for PPM Customers

Reactions to partial disconnection for PPM customers varied greatly. Some of this variation appeared to be attributable to the pre-existing attitudes, circumstances or behaviours of the individuals.

Attitudes/Behaviour Associated with Positive Attitudes Towards Partial Disconnection	Attitudes/Behaviour Associated with Negative Attitudes
See the benefits of having SOME supply of electricity	See the problems of NOT having FULL electricity supply
Willing to see partial disconnection as being introduced to help energy customers	Suspicious of energy companies and inclined to see partial disconnection as an opportunity for energy companies to make more money out of struggling customers
When self-disconnect, this is due to logistical rather than financial reasons	Self disconnect primarily because of lack of money
Not worried about spending more money as a result of period of limited supply	Worried that as a result of having a period of limited supply they will spend more on energy than they would have done had they had no supply

Those suspicious of partial disconnection voiced concerns that energy companies would charge excessively for the energy used in this period.

Currently if people need to restore their supply after a period of emergency then they usually need to:-

- pay for the emergency credit, and
- pay enough on top to ensure they have an electricity supply.

PPM customers were keen not to spend much more than that to pay for periods of partial disconnection and this concern was exacerbated by a fear they would pay premium rates for this period:-

"No doubt they will find a way to circumvent the law and say they give you an extra £2 they'll circumvent the loss someway because that's what big companies do and we'll end up paying £3, £4 back instead of £2 back. That's how they are making billions of pounds of profit. They are screwing us at the moment because we are paying, they reckon we are paying £200, £300 more, instead of paying it by direct debit – why?"

(Rural Scotland, female, PPM)

A PPM customer in the Leeds group had initially been critical of the unrealistically low levels of electricity suggested. But when the idea of higher levels was introduced she responded by arguing that electricity companies were hoping to make money out of charging struggling PPM customers for using energy after the extended credit had been used up.

Some customers regarded as reasonable a small premium (perhaps 10%) for energy used in periods of limited supply. A Dorset man, who argued that a small premium was fair, suggested energy companies would have to pay to have call centre staff to handle the enquiries partial disconnection would inevitably produce.

Nobody felt that it was reasonable to charge more than a small premium and many felt no premium at all should be charged to struggling PPM customers:-

"Actually I might be wrong but I think it's a bit cynical actually. I think they are trying to use this because I know that Ofgem are trying to force them to bring down prices and stuff, electricity and that for these meters because we are over paying, everybody that's got one is overpaying and I think this is a cynical ploy to say, 'right, this is what we're doing, we're going to give them 300 watts so they don't run out completely,' but they are still going to overcharge us for the electricity that we're due, are actually using. So 300 watts, they're probably paying that anyway over the top. I actually think it's a bit cynical, I think they are using it as a ploy."

(Rural Scotland, female, PPM)

Linked to concerns about excessive charges for energy used in periods of partial disconnection were concerns that customers who could not afford to pay for electricity would end up owing more than they do currently.

So customers would end up having to find a larger sum of money than currently to restore normal (non-emergency) supply.

A Bristol woman painted a picture of someone spending precious money down the pub and then finding they had to pay £45 to restore their electricity supply.

While these appear to be legitimate concerns it is also fair to point out that:-

- some of those expressing these concerns also suggested higher electricity allowances in periods of partial disconnection
- the option many PPM customers preferred to partial disconnection was to have a higher amount of extended credit but the argument that this encourages customers to use up more electricity than they could afford would also apply to this option. Indeed some were opposed to an increase in the amount of emergency credit because they could start to rely on it.

Some participants appeared to want to oppose partial disconnection and then find reasons for doing so, rather than consider all eventualities and then deliver their verdict.

8. How Partial Disconnection Might Best Operate

Key points

- People were divided on the most appropriate approach for partial disconnection, some favouring the simplicity of load limiting at a point in time, others favouring the greater flexibility associated with load limiting over a period of time.
- With both scenarios, many felt the levels of electricity permitted were too low, and load limiting was criticised at the levels proposed for not permitting cooking.
- There was little support for the idea of disconnection at certain times of day, although a few felt it could be part of a graduated approach to disconnection.

One of the main options presented to participants as a possible means by which partial disconnection might operate was load limiting at a point in time.

Under this option electricity usage would be limited to a maximum load at one time.

Participants were told that neither the way in which partial disconnection would operate nor the amount permitted under Load Limiting had been determined and Ofgem was purely interested in customers' views.

However, to encourage feedback we showed an example of usage limited to a maximum of 300 watts at any one time. This particular scenario would allow very limited usage of electrical appliances.

One combination that would be permitted was outlined:-

	Watts
3 x 40 w lightbulbs	120
'A' rated fridge/freezer	45-50
Gas central heating pump	60-100
Mobile phone charge	5
Total	275

Participants were also shown a list of four appliances that could not be used in this example and their wattage.

Appliance	**Watts**
Microwave	800
Hair Dryer	1000
Kettle	1900
Convector or fan heater	2000

They were also told that under the 300 Watt scenario they could not use a washing machine, immersion heater or instant water heater, bar fire or have a conventional electric oven at medium heat.

The most common reaction when people were shown the examples was to suggest that the usage level was at too low a level.

Some continued to hold this view throughout the discussion while some became a little more positive towards this level.

Some struggled to embrace the principle of load limiting at a point in time at all because the suggested limits were so low.

People picked up on the difficulty in preparing hot meals:-

"Well, you can't use the microwave or the conventional oven so how are you going to eat? That's going back to the dark ages. Good grief."

(Walsall, Female, Struggling Credit Customer)

Another woman countered:-

"It is but I suppose actually when you think about it. If somebody's run up a massive debt and they are trying to pay it off then our parents lived in the dark ages and they managed. We're all ok."

This exchange was fairly typical of how the subject was discussed in most of the groups, but it was noticeable that the groups of poorer PPM customers in Leeds, Cardiff and rural Wales and Scotland tended to be more negative, emphasising what they could not use, rather than the fact they could use anything at all was an improvement on what they were used to.

Some of the more positive reactions to this initiative were found in the London group of PPM customers who were generally struggling less than PPM customers in the other groups. They would restore their electricity supply as quickly as possible because it was not lack of finance but circumstances or poor financial management that caused them to self-disconnect.

If one member of the family had to get out of the home to get to the shops to make a payment they felt much better about not leaving the rest of their family in the dark while doing so:-

"Everything went off and it was extremely cold and this was in December with the snow. We had to wrap the baby and my wife stayed at home. It took me almost an hour to walk down because the car couldn't get out. Everything was just terrible."

(London, Male, PPM)

So for some customers the advantage of partial disconnection would not be primarily that they could wait before restoring full supply, but that their family would find partial disconnection less inconvenient and upsetting than complete disconnection. In these circumstances a relatively modest permitted level was still seen as greatly preferable to no electricity at all.

One respondent said that assuming it became possible to top up by telephone or online in the future his priority was to have enough light to make the call or internet transaction he needed to restore power.

A curious feature of the discussions with PPM customers was that at an early stage in the discussions people had described the problems encountered by a complete loss of electricity, when a very low level of supply would have prevented these problems arising. The most frequent examples were fridges/freezers defrosting or children being frightened by the dark but a man in the rural Wales PPM group also complained his alarm system would go off if he lost power. Yet the individuals who had made these observations were often critical of or uninterested in the idea of load limiting at a point in time which to an outsider might have seemed a good solution to the inconvenience they would have suffered with complete disconnection.

The rural Scottish PPM group was typical in suggesting the rates put forward were much too low and this man proposed a kilowatt instead of 300 watts:-

"Yeah see it's a good idea but probably about a kilowatt would be a good idea because at least that way you could run individual items, if it needs to be a kettle you could run a kettle but once the kettle goes off you could run something else, at least it gives you a basic thing that you are not having to say, well what can I turn off then, cannot use, things like that."

Some respondents were reluctant to see any meaningful reduction in their household's use of electricity during periods of partial disconnection.

They needed to continue using their washing machine and for some parents, occupying the children was essential. A mother in rural Scotland was very keen that her children should continue to be able to use their X-box as otherwise they might get bored, go out on the streets, and possibly get into trouble. These respondents persisted in focusing on what they could not use during times of partial disconnection rather than what they could use. So their reactions to all options were generally negative, even though the current alternative to the options presented was to have no electricity supply at all.

There were other participants who acknowledged that having a seriously restricted supply was better than no supply but who questioned the inflexibility and the low suggested maximum level for load limiting at a point in time.

For participants with a gas hob, not being able to use a kettle, microwave or conventional oven was a major inconvenience, though not an intolerable one.

But for people who were reliant on electricity for cooking, not being able to cook or heat food and drinks was seen as a major problem, especially in cold weather, and they felt that if load limiting was the favoured means of partial disconnection then the limit should be raised.

In most sessions people were introduced initially to load limiting at a point in time and then the slightly more complicated option of load limiting over a period of time (such as 24 hours). Again, the example scenario was pitched at a low level, in this case 3kwh in a 24 hour period. This would enable people to keep their fridge/freezer going and permit some lighting. There might also be limited scope for cooking or heating food/drinks although the level suggested would not permit a washing machine to complete a full cycle.

Some preferred load limiting over a period of time because of its greater flexibility, and because at the levels suggested, it would be possible to carry out limited cooking.

For someone who understood how much electricity different appliances used, and who could be disciplined in their approach to electricity usage, load limiting over a period of time:-

- offered much greater flexibility
- was a better option for those who expected to be out much of the day
- and someone experiencing these may not be in quite such a hurry to have full supply restored as someone on load limiting at a point in time.

The disadvantages of load limiting over a period of time reflected its advantages. Its flexibility meant it was more complicated than load limiting at a point in time. If people wanted to plan their usage they would need to take into account how long an appliance might be used as well as the energy it consumed while being used. So it was potentially more difficult for them to work out whether an appliance could or should be used.

People picked out possible consequences as being:-

- they were more likely to ring their energy supplier with queries
- they were likely to run out of electricity.

Running out was especially likely in a multi-person household where individuals had different priorities and did not necessarily appreciate what would happen if they used electricity (for example by boiling a kettle) in the morning.

The likely upshot was felt to be that people would run out of electricity early in the day (possibly part way through doing something requiring electricity) and then have to make do with no electricity for the rest of the day, possibly losing the contents of their fridge or freezer.

Load limiting over a period of time would require careful management and a good understanding of what different appliances use – but in smaller households, especially in summer, people with that understanding may be able to manage for some time with this option.

People found it relatively easy to take a view on whether the amount of electricity allowed under load limiting at a point in time was appropriate, but found it more difficult to make an assessment of an appropriate level for load limiting over a period of time. This reflects the greater complexity of the option.

Some of those who ventured a view felt the rate was reasonable, especially if they recognised the importance of the customer not building up (greater) debt.

Some of those concerned about customers building up debt suspected that people who got into this position would probably be fraudulent time-wasters and so felt energy companies should, in their own interests, make sure debts did not build up to high.

A chronically sick respondent was more sympathetic, especially where someone could not pay bills due to losing their job.

He felt if there was no realistic chance of the customer finding employment quickly it was very much in their interests to go onto a prepayment meter.

Where a customer was confident of finding work quickly partial disconnection might be preferable to going onto a prepayment meter. But he could see a danger in customers then failing to find work promptly by which time the debt would have built up so he would probably have been better off switching to and getting accustomed to prepayment methods as soon as he became unemployed.

This respondent favoured modest allowances but others felt the allowance looked low, and some felt it was far too low.

Some liked the fact that a household could potentially survive longer with load limiting over a period of time than at a point in time but for others this was a possible drawback.

In the rural Dorset group a young man argued that for his household (shared with his flatmate) load limiting at a point in time was the better option:-

"All we would need is for the fridge/freezer to stay on all day. And then after work, find somewhere to get the electric, come back in and then that's it, we don't need to worry about it."

But a woman in the same group argued that for a household with a young baby this was a ludicrous option as it did not allow them to use the microwave:-

"Offering people snippets of things. I hope that I never ever get that I've got no electric at all. But that one, not being able to use a microwave wouldn't work, it really wouldn't because that woman would have to put that baby's bottle in a microwave to go out and get electric."

The man who preferred load limiting at a point in time suggested customers should be given the choice, of what they would like to have when they used up their emergency credit. Although he was a PPM customers his suggested solution would apply at least as well to credit as to PPM customer:-

"The best thing to do would be have the option for customers. For the company to ring the customer, or when the customer rings and says... I can't pay my bill they say right this is your option. You can have the 3 kilowatt hours over 24 hours which basically means this, and explain what it means for the customer, or you can have it this way. But then once they choose it that's it. They can't keep ringing up and saying today I'll go back to this. Different people will have different needs."

Another option discussed was to have electricity on for part of the day only.

Some had experienced this or something similar in Africa or Spain. It was felt to be very inconvenient but something people could work around.

However, some respondents reacted very negatively to this option, suggesting it was like being in a third world country. The degree of inconvenience that would be suffered under this scenario would depend partly on the hours of supply and no supply.

So for those who expected to be given a choice of times for supply tended to react more positively than did those who expected to have supply at the peak times (early morning and early/mid evening). For those out at work during the day this might be a reasonable option.

Some wondered if it would be a pre-determined set of hours for everybody as if people could choose the times when they had supply this could potentially involve a lot of communication with their supplier. So on the one hand this option might be inflexible, on the other it could be complicated.

If people had a limited time slot to use electricity they could nevertheless consume a great deal in that time through using washing machines, cookers, kettles and other appliances that could not be used under load limiting.

This could create a situation where the customer suffered great inconvenience (because they had no power for much of the day), and might lose the contents of their fridge/freezer yet they were still using a great deal of electricity.

Some participants liked the idea of graduated disconnection whereby the levels of disconnection became more severe over time.

This could work with:-

- load limiting at a point in time reducing the maximum allowances
- load limiting over a period of time, reducing the daily allowance
- disconnection for part of the day, whereby the hours where supply was permitted could reduce.

Those who favoured a stepwise approach argued that as the sanctions became more severe credit customers would feel more motivated to contact their supplier and agree repayment terms.

For PPM customers the situation was slightly different but there was still a perceived advantage to a graduated approach as it could help prevent the customer from ending up owing too much money.

People who argued in favour of a graduated approach tended to be those who agreed with the principle of partial disconnection but were supportive of the customer.

Some also liked the idea of linking options so customers might start with load limiting at a point in time for part of the day only, before moving to load limiting at a point in time for the whole day.

Other participants argued against a graduated approach.

They felt:-

- changing the level of allowances over time was potentially complicated and confusing for the customer
- it gave fraudulent credit customers longer to string out their avoidance of payment and PPM customers the opportunity to end up owing a lot more
- another possible objection to this approach was not specifically voiced in the groups but might be inferred from some of the comments. Many participants focused on the inconvenience of a customer facing partial disconnection rather than the fact that that inconvenience would be less than if they suffered complete disconnection. Gradually increasing the inconvenience suffered by customers might be seen in a very negative light by these customers as the pressure on the customer concerned would build up over time.

In terms of the length of time for which a customer might experience partial disconnection views varied somewhat according to the amount of electricity permitted in this period.

If the amount was very low (and most perceived a 300 watt limit to be very low) then it was not expected that the customer would tolerate that situation for long. However, from the energy supplier's point of view, there would be a little less urgency for resolution because the debt could not increase hugely during this period. So while it was thought customers might seek to rectify the situation within 24-48 hours, some felt a period of a week or even a month on this level of partial disconnection was reasonable before full disconnection.

A London credit customer argued that with a low level of electricity usage, the customer would probably be saving towards paying off the money owed. The respondent suggested this was an argument for allowing a reasonably long period of partial disconnection.

However, if customers were permitted a much higher level of electricity there was a greater risk of them significantly increasing the amount they owed so participants felt a one week or at the most two weeks was a reasonable period, although some did then favour a further period at a lower level of supply.

In the discussions, moderators emphasised that the intention was not for partial disconnection to become a lifestyle choice giving customers the opportunity to get used to a reduced level of electricity, but a short-term measure to reduce the inconvenience and risk to their household while they sorted our payment.

In this light some PPM customers disliked the milder forms of partial disconnection as well as an increase in emergency credit because they felt customers would give less priority to making sure they stayed in credit on their meter.

Others simply reacted negatively to whatever expressions of partial disconnection were put forward. The Cardiff group of 55-74 year olds and the Leeds groups of mothers with no wage earner in the household were two of the most negative groups in their responses to almost all of the new ideas presented.

They found little merit in the idea of an in-home device to help them monitor energy usage and a couple in Cardiff raised the spectre of 'Big Brother' when considering the additional issues associated with introducing smart meters.

They disliked any of the options for partial disconnection because they would not allow them to use the appliances they needed to use when they wanted to use them with some customers saying they wanted to use kettles, others cookers, others washing machines.

They were much keener on the idea of increasing the amount of emergency credit and some suggested that instead of the customer having to pay the emergency credit off in full they could pay their electricity company back over time by adjusting the payments the customer would make on their key/card (an option already permitted by some suppliers).

Similarly, a woman in the Dorset group argued that a much better option for PPM customers would be to be able to ring up or press a PIN code on their smart meter to have access to a further period of emergency credit. She argued this was a simpler approach and still offered a finite amount of electricity so people could not use it as a lifestyle option. She also felt it was far better that people proactively opt in each time to take the additional credit rather than it running on automatically and suggested people use a pin code on their smart meter or telephone to gain access to an additional period of emergency credit:-

"Why go through all that expense (of introducing partial disconnection). It would be more flexible to let you have the extra £5 to put it back than go through the paperwork of doing all this and working this out, then chasing them for the money. Because if you take the down and outs they would live on that, because the young couple up the road never paid any electric for four years."

This comment also highlights the concern expressed by a few respondents that living with partial disconnection could become a lifestyle choice.

9. Customer Communications

Key points

- PPM customers would need to have partial disconnection clearly explained when they sign up.
- Credit customers would need to receive clear communications about the process for partial disconnection, timescales and what they need to do to avoid full disconnection.
- People thought it important that customers be provided with information on how much electricity different types of appliances use.

There are a number of communications issues in relation to this initiative and considering these occupied a significant part of most discussions.

For credit and PPM customers there will be some similarities and some important differences in terms of the communication required.

The differences relate to what they need to be told about the sequence leading to and following partial disconnection and what follows.

Information for PPM customers

Considering PPM customers first, if a change were to be introduced then energy companies would need to write to all their PPM customers explaining how it will work (and including information about the wattage of different appliances etc, to be discussed in more detail later).

New PPM customers are already informed about their emergency credit (and across the groups customers showed a good understanding of this topic and there was no evidence of customers not being properly informed about this issue by their supplier although there did appear to be some confusion around whether customers were charged a premium for this emergency credit).

Participants argued that the sign-up stage (or when a credit customer is transferred to pre-payment) they will need to be told additionally about a period of partial disconnection that follows after the emergency credit is used up.

(Again it was worth noting that most PPM customers, especially the poorer ones often preferred the idea of increasing the amount of emergency credit to any models of partial disconnection, and increasing emergency credit would require less and simpler communication for existing customers and for new PPM customers it would simply be a case of changing the stated amount of emergency credit offered).

Some respondents saw opportunities for text messages, emails or communications via their smart meter or in-home device.

But with partial disconnection people need to understand:-

- how to tell/what warnings are there that they are approaching their emergency credit
- how to activate their emergency credit (and how long will it last in monetary terms)
- how to tell/what warnings are there that their emergency credit is about to run out
- how will they activate power during the period of partial disconnection
- what limits there may be to that period of partial disconnection
  - and these limits may be time limits (say 1-2 weeks) or the period ends when they have used a certain amount of credit beyond their period of emergency credit.

The key with partial disconnection was seen as ensuring customers known what will happen before it does. Participants felt it was important customers should know in advance that there would be a period of partial disconnection after their emergency credit had run out, even though some acknowledged that the consequences might be that more customers would allow their emergency credit to run out, particularly if the amount of electricity permitted was more generous than in our examples.

Participants did not expect it to be difficult to communicate the processes to PPM customers although it could be a little more challenging if a stepwise or tiered approach was adopted (so for example if the amount of electricity permitted under a load limiting option was reduced over time).

Information for credit customers

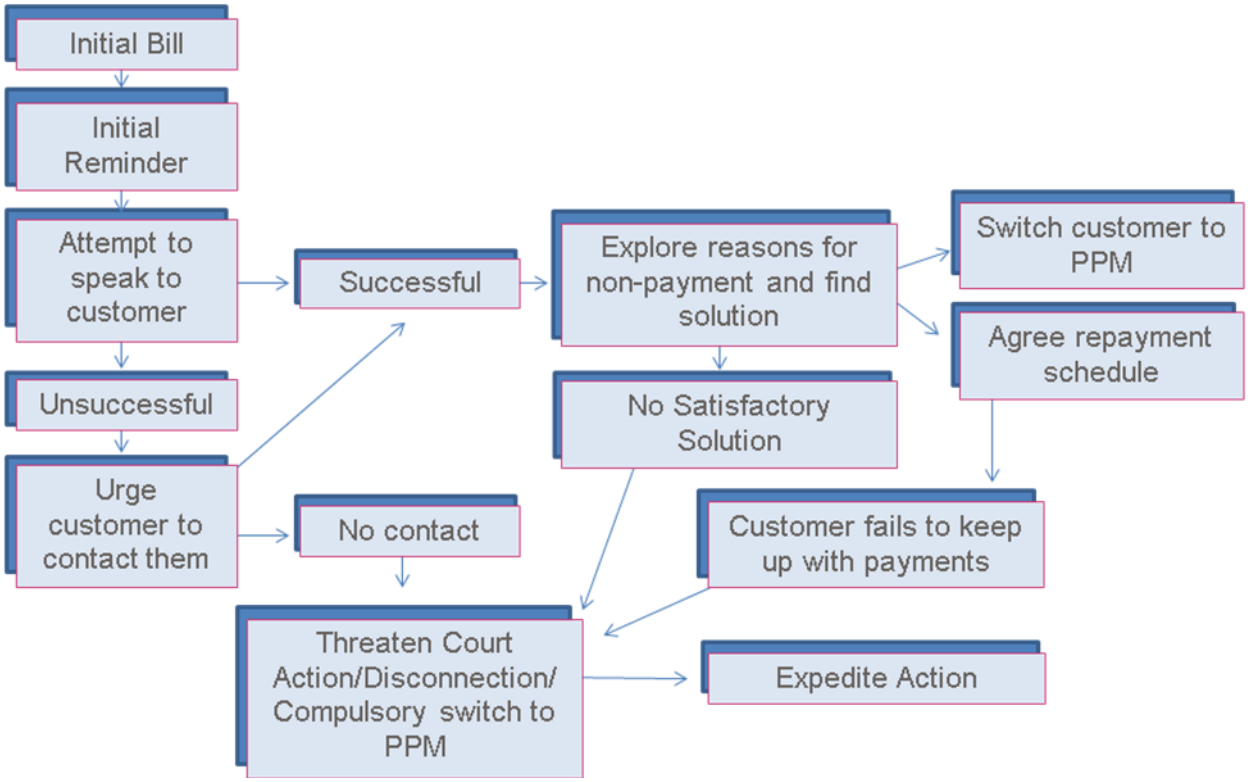
For credit customers the timing of the communication would be very different.

When customers sign up to new suppliers as credit customers they are unlikely to read small print about what might happen if they fail to pay bills. So regardless of whether information is provided to customers about partial disconnection at sign up most customers will not read it or take the messages on board.

There was no clear demand among participants for suppliers to send communications to all existing customers explaining revised procedures for disconnection and the role of partial disconnection, although it was expected that appropriate information would be provided when customers had smart meters installed for the first time.

However, it was regarded as crucial that customers had a clear understanding of the path they would go down to complete disconnection via partial disconnection.

Participants varied in terms of how much they know about the current route for credit customers failing to pay bills, some individuals having a good understanding, most having a vague idea and some having very little idea. Based on their comments, most groups (although NOT most individuals) would have been able to put together a diagram similar to that outlined below.



A few felt that partial disconnection or the threat of it might be introduced at an earlier stage than full disconnection is currently threatened/arranged but this was very much a minority view.

Most participants would want communication about partial disconnection to take place at the moment the customer would currently be advised of the likelihood of disconnection or being switched to prepayment.

At this point customers would need to know:-

- when would partial disconnection come into play (so they are prompted to contact their supplier)
- how partial disconnection would operate
- how long might it last
- would there be more than one phase of partial disconnection
- when would they experience full disconnection.

Some customers felt a single communication explaining the process and sequence should be sufficient but others argued that, especially given the possibly problematic circumstances of the households concerned, a separate communication should be sent in advance of each change:-

- so a letter advising people that they were moving from one stage of partial disconnection to another
- and a letter advising people that they were about to move from partial disconnection to full disconnection.

These letters would make clear what people would need to do to avoid being disconnected.

It was assumed that in these circumstances, energy companies would be attempting to contact customers by different means including telephone (voice calls and text messages) and online if they had an email address. Formal letters were also seen as appropriate especially as people moved closer to disconnection.

Information about what appliances they can use

PPM and credit customers would also need information about the mechanics of partial disconnection and the implications for what they could and could not use.

In the case of load limiting at a point in time this would include:-

- the level of usage permitted
- the wattage of various commonly used household appliances
- guidance on how an individual might check the wattage of appliances in their household (the in-home devices accompanying smart meters may be useful in this respect)
- examples (including combinations of appliances) showing what they could and could not use.

There would be similar requirements for load limiting over a period of time but the element of time would bring in an extra complication.

So the customer would need to know:-

- for a washing machine (if the level permitted allowed this), how much electricity it used per minute/hour, but also how much electricity a typical load might use up.

The combinations of possible options would be more complicated than under load limiting at a point in time and for some this relative simplicity was perceived to be the major advantage of load limiting at a point in time.

Most customers would not be expected to spend much time thinking about or analysing which appliances they could use, although some suggested some PPM customers who used and ran out of their emergency credit regularly may develop a very good understanding over time of what they could and could not use.

In the case of disconnection at particular times of day people needed to understand how this would work. The most straightforward scenario would be where the hours were fixed for all customers.

But another scenario may be where customers need to contact their energy suppliers so they can choose in which time periods they can have electricity.

There were participants who favoured this kind of approach but it would make communication more complicated and of course, for credit customers, it is sometimes their failure to keep in touch with their energy company that results in them being disconnected or threatened with disconnection.

Some participants recognised that the greater flexibility around partial disconnection then potentially the greater cost, frequency and complexity of communication between customers and their suppliers.

This would be true of non-tailor made terms (for example some felt that for customers across the board the allowance for electricity should be greater in the cold, dark winter months than in summer). But the complexity would be potentially greater still if, as suggested by some participants, the terms of the partial disconnection varied on an individual basis, so for, example, a multi-person household might be permitted a higher level of electricity than a single-adult household.

Incoming communication

For credit customers, especially where the company was urging them to get in touch, it was essential that customers should be able to get in contact easily.

Across the groups, especially among PPM customers who were more likely to be ringing from mobiles, there were negative comments about the cost of calling energy companies and of difficulties in getting through.

Such comments may have applied to any large organisations handling high volumes of customer calls but nevertheless highlight the importance of companies being able to handle queries.

The pressure on companies to handle customer enquiries will be greater when customers approach or move into periods of partial disconnection.

A young man in the Dorset group argued that for energy suppliers, there would be huge and unwelcome increases in call volumes as customers queried why they had not been able to use appliances they had expected to use.

The greater the flexibility and complexity of the options offered the greater the likely volume of calls and queries.

This is not in itself an argument against partial disconnection, nor even an argument against more flexible forms of partial disconnection, but it will be important for energy suppliers to recognise and address the challenges that it could bring.

Ofgem communications

A separate issue is how, if Ofgem determines any requirements around partial disconnection, that initiative should be communicated.

Some participants felt there would be benefits if all companies had to follow the same procedures. (In contrast others argued that companies should be allowed to differentiate themselves on the basis of their disconnection procedures, although it is hard to envisage a company promoting itself on the basis of its lenient treatment of those who fail to pay).

If all companies were to follow the same procedures some saw benefits in people generally being aware of these, although they did not specifically suggest Ofgem should take on responsibility for building this awareness.

Regardless of the extent to which it proactively communicates the changes introduced, Ofgem will need a media strategy.

This research confirms that many customers will react positively to the initiatives.

However, there are three broad issues where, based on this research, Ofgem should be prepared to counter criticism:-

1) The absolute amounts are set too low, are unrealistic and cause hardship

If research participants repeatedly argue on this basis, even when the alternative to partial disconnection is complete disconnection, then it seems likely that some sections of the media may make similar comments.

2) It allows cheating customers to string out the process, possibly resulting in good payers subsidising bad payers

This was a slight concern for some participants.

3) It introduces a potentially complex set of procedures and requires greater levels of communication so resources may need to be diverted to manage this

However, again based on this research, none of these possible areas of criticism appear particularly difficult for Ofgem to defend.

10. Safeguards for Disabled/Vulnerable Customers

Key points

- Participants were keen that the safeguards that currently apply to disconnecting elderly or vulnerable customers should also apply to partial disconnection.
- Numerous respondents expressed concerns about households with children, especially babies, and argued they should not suffer disconnection or partial disconnection.

Depth interviews were conducted with disabled customers and in focus groups participants discussed what, if any, different treatment should be applied to disabled or vulnerable customers.

In most groups respondents raised concerns about particular categories of customers at an early stage. Respondents felt certain customers needed greater protection most commonly:-

- the elderly
- households with children
- those with a disability or chronic health condition.

Participants were relieved to hear that it was Ofgem's current intention that safeguards in place currently in relation to full disconnection would also apply to partial disconnection. So the safeguards that apply to people with disabilities or chronic health conditions would continue to apply in relation to partial disconnection.

Opinions of how to classify an older person or child requiring protection varied.

Some participants suggested that anyone over the age of 65 (or of pension age) should be treated as a separate case partly because pensioners were dependent on the government and not in a position to greatly increase their income.

They pointed out that people of this age were already being treated differently as they receive the Winter Fuel allowance.

Others pointed out that people in their seventies or late sixties were often fit, healthy and active people, very different from those in their eighties or older who needed more help. For these respondents a higher age limit of 75 was much more realistic.

Concerns about elderly customers emerged in response to other issues too.

As has occurred in previous research on smart metering, some non-pensioners expressed concerns that older householders would worry unduly and possibly overreact if they had an in-home device that was showing high levels of consumption (for example displaying red with a traffic light system).

So there was a fairly widespread feeling that older adults were less well placed to deal with change and new systems and devices.

These concerns were not expressed in relation to households with young adults but there were frequently expressed concerns about such households being without gas or electricity.

This was particularly true when there were babies or very young children in the household. Warmth was seen as essential for such households in the winter and there were frequent references across the groups to mothers needing some means, such as a microwave, for heating up babies' bottles.

Some took the view that a household with very young children should never be disconnected and a woman in the Cardiff group recalled with anger how a young single mother living nearby had been disconnected having only been a few weeks late with a bill and had then been without electricity for three months.

Those who argued such households should never experience disconnection took the same view regarding the more limiting options of partial disconnection, especially load limiting at a point in time which was particularly hard on those who heat and cook with electricity.

Some participants thought households with primary school children should have special treatment while there were also participants, including a couple of adults in the London group of customers who were not struggling, who suggested any household with school-age children be treated the same way as a household with very young children.

Within groups there were differences of opinion. In the London group of non-struggling credit customers the following exchange occurred when people were asked for which ages of children should families be treated differently regarding disconnection.

"I think it should be children under eight." (Female)

"I would think very young children." (Female)

"You would get children in education." (Male)

"15, 19, 20 year olds in education." (Male)

"..But the thing is you have to draw the line somewhere." (Male)

"I think primary school children up to eleven." (Female)

This special treatment might mean the household was given longer to pay a bill/clear a debt before partial disconnection was introduced.

A more widespread view was that a large household, especially one with children, should be permitted a more generous allowance during periods of partial disconnection than a smaller household with no children.

Of course, currently PPM customers covering all kinds of households, could find themselves without electricity or gas as a result of running out of emergency credit, so those who suggested removing the possibility of disconnection for families who were credit customers may have been unrealistic and across the groups and depths there were suggestions, though no concerted view, that late payers could be given too much help and understanding.

Across the group and depths, views were split on whether alternative disconnection methods are positive steps and preferable to complete disconnection for households with children or the elderly.

Many, especially among those not likely to be affected personally, felt this was a valuable advance as some services would still be available.

Some younger respondents commented (in a couple of cases based on actual experiences of elderly parents) that some elderly PPM customers may self-disconnect solely as a result of forgetting to top up.

A man in the London PPM customer groups observed:-

"It's a good thing what they are trying to do. It will solve a lot of problems, especially with the elderly ones...They would be panicking so it gives them more time."

Others felt elderly customers should suffer no disconnection or that a much higher level of energy should be provided.

A chronically sick credit customer argued:-

"The cruellest part is that there would be no heat in the house especially in winter and you have to think about babies and young kids."

This depth interviewee was looking at the issue in terms of how it would affect others. When the disabled/sick depth interviewees were told that the expectation was they would have the same safeguards in relation to partial disconnection that they have now in relation to full disconnection they felt they would not be personally affected by the initiative and considered it much more in terms of how it would affect others.

Most had had reasonably positive experiences with their energy suppliers and found them reasonably accommodating and supportive so they started from a much less suspicious and negative standpoint than some of the PPM customers.

In general, these respondents were sympathetic to struggling customers, and felt partial disconnection could be made less onerous for them.

However, they also acknowledged that while energy companies should be willing to help those genuinely in need, customers who were playing with the energy company deserved to be cut off (completely).

APPENDICES

Appendix A – Topic Guide

OFGEM: CONSUMER RESEARCH ON DISCONNECTION METHODS

Discussion Guide: FINAL - 22 October 2010

Introduction

Reiterate purpose of research and the role of Ofgem (the regulator of Britain's gas and electricity markets)

- Explain who FDS are and how research will be used
- Provide reassurance that there are no right/wrong answers
- Permission to record, confidentiality
- Ask the group to say a little about themselves/household

Payment Method

- How do they pay for their electricity (and gas)?
- How long paid this way and reasons
  - Choice, necessity (e.g. rented accommodation), imposed (e.g. prepayment meter installed due to debt) etc
- What problems, if any, have they experienced with this/these methods of payment?

Ask Credit customers

- Do they struggle to pay bills? With what result?
  - do they tend to pay immediately, wait for reminder etc
  - have they ever been encouraged to go on to a prepayment meter?
  - have they ever been threatened with disconnection or disconnected?

Ask PPM customers

- Do they ever run out of electricity (i.e. go beyond the emergency credit to the stage of no electric supply). Why and in what circumstances?
  - to what extent if at all do they choose to run out of electricity?
  - how big a problem is this to them/how long are they without electricity/how frequently?
  - how interested would they be in topping up from a bank account by phone?

Smart metering

- Introduce idea of smart metering. Ask if people know what smart meters are but give very brief explanation in case there are those who don't.

  Smart meters are advanced meters for recording the level of energy consumption within a home. All homes will have smart electricity (and gas) smart meters installed by 2020. They provide immediate data on the amount of energy used (allowing more accurate billing) and because meters can be read by the energy company remotely there should no longer be a need for meter readers to visit their home. All bills/statements will be accurate and based on actual rather than estimated readings.

- Obtain brief reactions to the idea of energy companies being able to read meters remotely and to there being no more estimated bills

  Homes having smart meters will be fitted with a compact in-home device (IHD) allowing them to monitor their consumption on a display screen. This device will usually include
  -some kind of warning light system eg red, amber, green to advise them when they are using a lot of electricity
  -visual and numerical displays of energy being used

  The ultimate aim is that consumers will be provided with the information they require to better manage their energy consumption allowing them to save money/manage their bills and reduce carbon emissions.

NB: we are exploring the impact of smart meters on billing and disconnection so require a certain level of understanding among participants of the concept of smart meters. We do not however wish to spend considerable time discussing general attitudes towards smart meters.

- Brief reactions to idea of smart meters/IHDs
  – likes/dislikes
  – any concerns at this stage

Options for disconnection

What do people think energy companies do now if customers fail to pay bills after reminders?
Do they have any sense of whether companies are quick/slow to threaten customers with disconnection for non-payment? What about the alternative of requiring credit customers to go onto pre-payment meters?

- Explain that smart metering may allow energy suppliers to manage consumer issues with bill payment/PPM customers using up the money to put on the meter, rather than simply disconnecting them.

  With the closer and more accurate monitoring of actual electricity consumption which smart metering would allow, rather than consumers getting to a stage warranting complete disconnection/PPM self disconnection, suppliers may be able to offer limited consumption to help consumers get back on-track.

Examples include:-

Load limiting (use attached sheet for scenarios)

Electricity usage is limited to a maximum load at any point in time – for example a home cannot use more than 300watts (W) at any one time.

Trickle flow (use attached sheet for scenarios)

Electricity usage is limited to a certain amount each day/within a particular period – for example maximum energy use of 3 kilowatt (kwh) hours over 24 hours (put simply an appliance rated at 1000 watts (1 kilowatt), operating for one hour uses one kilowatt hour)

We want to explore reactions to these proposals in a number of different ways.

- Firstly what are initial reactions to the idea of suppliers limiting a consumer's electricity use rather than complete disconnection? (If people think these issues could affect them directly, they should answer from a personal viewpoint. Otherwise, they should answer from the viewpoint of an energy customer interested in what they feel SHOULD happen)

  Credit Customers
  - do they feel there are circumstances where such an approach would be justified? Welcomed by consumers?
  - would this encourage them to ensure their bills were paid promptly?
  - what would be preferable/more effective, trickle flow or load limiting?
  - what period in the day should load-limiting be implemented – or should it apply across the day (**NB: focus is on encouraging bill payment/debt repayment not convenience and supply management)**
  - what concerns do they have?

  PPM customers
  - would this be preferable to self-disconnection where power is lost completely; why/why not?
  - what would be preferable, trickle flow or load limiting?
  - should load-limiting apply all the time or just at certain times of day (**NB: focus is on encouraging bill payment/debt repayment not convenience and supply management)**
  - what concerns do they have?
  - consumers whose meter was load limited will have to pay for the energy needed during the load limiting?

- How should load limiting/trickle-flow be implemented?

  - Should there be a required minimum level of use **(NOTE: Our scenarios are only examples and in no way reflect what we think should be the minimum level of use)?**
  - How should the customer be informed that they are going to face a load limit/trickle flow? How much notice should they receive?
  - How do they think consumers should manage the load limit/trickle flow
    - Self-monitoring IHD/alarm to warn of end of load etc
  - How long should a supplier offer a load limiting/trickle-flow supply, i.e. should suppliers be limited in the number of days they can apply a load limit/trickle flow to a customer (**NB: again focus is on encouraging bill payment/keeping PPM in credit, not convenience and supply management)**

- How do they feel about complete disconnection at certain times of day
  - initial reactions to this idea
  - how acceptable is this relative to load limiting and trickle flow?
  - what concerns do they have?
  - when might this approach be justified?

Credit Customers

- would it encourage them to pay bills promptly?

Impact of Disconnection

- Who do they think might benefit from these alternatives to self-disconnection (just the energy companies, consumers or specific types of customer)? Would they expect energy companies to partially disconnect a customer more quickly than they are currently threatening to disconnect them?

- What concerns do they have about these means of limiting a consumer's energy use
  - do these concerns apply across the board or to particular types of consumers only?
  - how can these concerns best be overcome?

NB: many vulnerable customers would never be without supply (users of electrical medical equipment, older people in winter months etc)

- What should suppliers have to do before introducing 'load limiting' or another form of disconnection at a consumer's premises?

  - how should energy companies advise/warn consumers of intentions?

- How much notice is reasonable (eg if consumers are to be load limited)?

Sum up and close

- Should Ofgem encourage these new forms of limited disconnection as alternatives to disconnection? What concerns should Ofgem have?
- Is there anything else you think is important in the consideration of forms of disconnection available as a result of smart meters?

Appendix B –Stimulus Material

Scenario 1: Load Limiting – Electricity usage limited to maximum load at one time

Example: usage limited to a maximum of 300W at any one time

Appliance	**Watts**
3 40W lightbulbs	120
'A' rated fridge/freezer	45-50
Gas central heating pump	60-100
Mobile phone charger	5
TOTAL	**275**

Some appliances which could not be used during load limiting of 300W

Appliance	**Watts**
Microwave	800
Hair dryer	1000
Kettle	1900
Convector or fan heater	2000

Other appliances which could not be used:-
Washing Machine
Immersion heater or instant water heater
Bar fire
Conventional oven, medium heat

Scenario 2: Trickle Flow – Electricity usage limited to maximum amount each day/period of time

Example: usage limited to a maximum of 3 kWh over 24 hours

Appliance	**kWh**
4 60W lightbulbs on for 4 hours	0.96
Gas central heating pump	0.6
'A' rated fridge/freezer	1.1
Mobile phone charger	0.01
TOTAL	**2.67**

OR

Appliance	**kWh**
4 60W lightbulbs on for 4 hours	0.96
Convector or fan heater for 1 hour	2
Mobile phone charger	0.01
TOTAL	**2.97**

Some appliances which could not be used during trickle flow of 3kWh per day

Appliance	**kWh**
Washing Machine	3
Immersion heater or instant water heater for 1 hr	3
Bar fire for 1 hour	3
Electric shower (based on 2, 10 minute showers)	3

Scenario 7884

An electricity company has been supplying to Mr. Thomas for three years. He pays by cheque each quarter.

Eighteen months ago he was six weeks late with a payment and the electricity company arranged, with his agreement, to install a pre-payment meter, but this was not possible because the meter in his hallway is too high on the wall.

After that incident, he had been paying bills on time but failed to pay a bill of £80 sent six months ago, or a bill of £65 sent three months ago. Reminder letters have been ignored. When they rang him he said he had had some money issues recently which he expected to resolve very soon and then he would pay the bills. However, as yet he has failed to do so and the electricity company has been unable to speak to him in the last 2 weeks.

Other details:

- He is believed to have a wife and two children aged 12 and 14.
- He has gas central heating but an electric hob and cooker.