

Press Release

OFGEM MAKES IT EASIER FOR PREPAYMENT METER CUSTOMERS IN DEBT TO SWITCH SUPPLIER

- Increase in debt threshold to £500 enables more prepayment customers in debt to switch
- Ofgem proposals aim to increase awareness of switching rights for those in debt
- Ofgem is driving improvement in suppliers' behaviour towards customers in debt
- Significant falls in the number of consumers being disconnected and more time being given to consumers to repay a debt

Ofgem has today announced a package of measures agreed with suppliers, which is designed to increase the number of prepayment meter customers switching supplier. This includes increasing the threshold for the amount of debt that can be switched between suppliers from £200 to £500, increasing awareness of the ability to switch and improving the processes through which customers switch.

The main six suppliers have voluntarily agreed with Ofgem to increase the debt limit from November 1, enabling prepayment meter consumers with a debt of up to £500 to switch supplier if they so choose. The move will help tens of thousands of people who were previously outside of the debt threshold.

These measures are part of Ofgem efforts to encourage suppliers to proactively resolve debt issues and use disconnection only as a last resort. Ofgem's annual social obligations monitoring is due to be published later this week and will show signs of improvement in supplier behaviour. The annual figures for 2011 show a significant decrease in the number of people being disconnected from their energy supply (a reduction of 54% for electricity and 59% for gas).

There has also been an increase in the amount of time given for customers to repay debts. The report also shows that overall in Britain the number of people in a repayment plan repaying a debt fell. Despite this fall the figures show that energy debt remains a problem, with more than 315,000 electricity, and 320,000 gas, prepayment meter customers in debt. The average level of debt being repaid stands at £357 for electricity down from £360 in 2010 and £371 for gas, up from £339 in 2010.

Sarah Harrison, Senior Partner - Sustainable Development said "We are acutely aware of the increasing financial pressures faced by many consumers, particularly those who are in the most vulnerable circumstances.

"We welcome the significant falls in the number of households being disconnected, but Ofgem remains determined to ensure suppliers continue to focus on helping consumers manage their energy bills and reduce their debt. That's why we are pleased to announce a commitment from major suppliers which will permit tens of thousands more prepayment meter consumers in debt to choose the cheapest energy deal. "

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Notes to editors

1. **Debt Assignment Protocol** (debt threshold)

Ofgem undertook a review of the Debt Assignment Protocol (the process for prepayment meter customers switching with a debt) and commissioned research to understand how the number of customers using DAP might be increased. Alongside the higher debt threshold, today's package of measures will see suppliers taking action to increase awareness such as proactively informing eligible customers of their ability to switch, and improving the process so that customers who wish to switch are able to do so without difficulty.

The DAP was introduced by Ofgem in 2002. It allows customers on a prepayment meter in debt to switch supplier. The amount of debt was increased to £200 in 2010. Today we have announced that this will be increased to £500.

2. **Debt & Disconnection**

Ofgem monitors supplier behaviour regarding debt and disconnection on a quarterly basis as part of the social obligations monitoring. The annual report detailing standards for 2011 will be published later this week.

3. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004 as well as arising from directly effective European Community legislation.

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