



Supply licensees, consumers,
consumer bodies and other
interested parties

Promoting choice and value for all gas and electricity customers

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Dear Colleague

Debt Assignment Protocol Review: the process for prepayment meter customers switching with a debt

The main six energy suppliers have today agreed to a package of measures designed to increase the number of prepayment meter (PPM) customers in debt switching supplier.

Our Social Obligations Monitoring shows that despite having the right to switch if they have a debt of £200 or less very few PPM customers choose to do so. This stops them from potentially accessing cheaper tariffs to pay off their debts more easily. Our data also suggests that many PPM consumers in debt initiate a switch but less than 1 per cent follow it through to completion. An increase in the average debt level since the £200 limit was set means that fewer consumers than intended now fall within its scope.

We commissioned Opinion Leader to undertake research to understand the experience of PPM customers who had used the process for switching with a debt - the Debt Assignment Protocol (DAP) -, why some PPM customers in debt commenced the switching process but do not complete it, and their views on the DAP monetary threshold. The research also examined whether PPM consumers were aware of the ability to switch with a debt.

The research, which has been published alongside this letter, indicated that:

- awareness of the DAP was low amongst PPM customers in debt and that those that were aware had found out via a visit from a salesman on the doorstep;
- in some cases the DAP process was seen as complex with insufficient communication and customers were left confused; and
- the most common reason for the customer failing to switch supplier was because the existing supplier had objected due to an outstanding debt over the £200 threshold.

Ofgem hosted a roundtable event on 13 September with suppliers and Consumer Focus to discuss the findings of the research and to agree measures to increase the number of customers using the DAP. It is clear from the research that there is no one solution to doing so. Therefore, we welcome suppliers' positive response to the challenge and the genuine commitment they have shown to improving the DAP in agreeing to the following package of measures.

Increasing awareness amongst PPM customers in debt of the opportunity they have to switch supplier is key. Given the decline in the doorstep selling it is important that customers are given information about DAP by another means. We are pleased that suppliers have agreed to:

- provide information on DAP in booklets or standard correspondence when a customer has a PPM installed to recover debt;
- promote the DAP on their websites;
- promote the DAP by working more closely with third parties such as advice agencies and others who have direct consumer contact, including relevant websites; and
- provide information during a sales call, where appropriate, on DAP including how the process works.

Improving the process so that customers who wish to switch are able to do so without difficulty. We would like the DAP to develop so that when a PPM customer chooses to switch supplier they are able to do so without difficulty, as any process issues are dealt with behind the scenes between the suppliers themselves and any obstacles removed to reduce the likelihood of customers dropping out of the process. Suppliers have agreed to:

- revise the letter (known as a 'DAP objection' letter) that the customer is initially sent by their old supplier when they try to switch supplier to ensure that information about the DAP is prominent and the first point made;
- share information and good practice between suppliers to remove inconsistencies in the operation of the process;
- establish a supplier working group to examine how improvements may be made to industry processes; and
- examine, under the auspices of Energy UK, the process for sharing debt information between suppliers.

Increasing the monetary threshold for PPM customers switching with a debt. It is clear that the current amount of £200 has also not kept pace with average fuel debt levels, which are currently circa £350 and may continue to increase in future. As such it is important that any increase in the amount should contain an element of future-proofing. Suppliers have agreed to:

- increase the limit for switching with a PPM to £500; and
- make this change from 1 November 2012.

The £200 PPM debt threshold for switching is enshrined in the gas and electricity supply licences. Any change to the amount in the relevant licence condition could only be made following a formal licence change process which would take a number of months before a revised amount could be implemented. Therefore, we welcome suppliers' voluntary commitment to increase the DAP limit to £500 and many of the awareness raising and process improvements from 1 November 2012 so that customers can benefit from these improvements as soon as possible, particularly as we move into the winter period.

It remains important that suppliers are proactive in the assistance they give to customers to help them avoid going into energy debt. We recognise the genuine efforts suppliers continue to make to assist customers who are finding it difficult to manage. The improvements we have agreed with suppliers in the DAP build on the existing help offered and are designed to assist those PPM customers who are in debt to participate in the competitive market and to switch to do a cheaper deal. We intend to monitor the success of these new arrangements over the next year.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Philip Cullum', with a stylized flourish at the end.

Philip Cullum
Partner, Consumer Policy and Demand Side Insight