Making a positive difference for energy consumers

Domestic Suppliers' Social Obligations: 2013 annual report

Report

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Overview:

The report provides a summary of domestic suppliers' performance in 2013 in relation to debt, disconnection, prepayment meters (PPMs) and services for customers in vulnerable situations.

This Social Obligations data is an important tool for Ofgem, suppliers and other stakeholders. We use it to use in our work protecting the interests of consumers, especially those in vulnerable situations, as set out in our Consumer Vulnerability Strategy. We do this by monitoring supplier practices, identifying good practice and areas for improvement, and evaluating the effectiveness of our policies. The findings described in the report should be of interest to suppliers, the wider energy industry, consumer organisations, government, and other stakeholders concerned with consumer protection.

Context

Energy is an essential service, needed for health and comfort. Ofgem’s principal duty is to protect the interests of current and future energy consumers. Under our Consumer Vulnerability Strategy, we aim to:

- Protect and empower consumers in vulnerable situations to reduce the likelihood and impact of that vulnerability
- Maximise access to market benefits for all consumers

A vulnerable customer is defined as one who is significantly less able than the typical consumer to protect or represent their own interests and or significantly more likely to experience detriment, or for that detriment to be more substantial.

We have committed to achieve these aims through six main methods:

- Targeted and effective regulatory obligations
- Promoting good practice and innovation
- Administration of government programmes
- Independent advice, guidance and views
- Facilitating discussions
- Research and insight including monitoring

Under standard licence conditions of the gas and electricity supply licences, suppliers are obliged to provide us with defined data on debt, disconnection, prepayment meters, Priority Services Registers (PSRs) and free gas safety checks. We refer to this as the Social Obligations Reporting. This information is used to review suppliers’ performance in relation to specific obligations, including areas of operation where customers in vulnerable positions may be affected. Monitoring Social Obligations data constitutes an important part of our work to protect consumers in vulnerable situations. By monitoring these statistics, we can identify supplier policies and practices including where improvements need to be made.

We gather and publish this information on Ofgem’s website at: https://www.ofgem.gov.uk/about-us/how-we-work/working-consumers/supplier-performance-social-obligations. This annual report gives a comprehensive overview of suppliers’ performance and practice in these areas for January – December 2013.

The report covers suppliers’ obligations under their supply licence conditions relating to customers in vulnerable positions. It does not cover suppliers’ activities relating to the government’s mandatory Warm Home Discount scheme or companies’ voluntary initiatives.

Associated documents

Review of suppliers' approaches to debt management and prevention - published June 2010
https://www.ofgem.gov.uk/publications-and-updates/review-suppliers%E2%80%99-approaches-debt-management-and-prevention

Domestic suppliers' Social Obligations: 2012 annual report – published November 2013
https://www.ofgem.gov.uk/about-us/how-we-work/working-customers/supplier-performance-social-obligations

Guidance on monitoring suppliers' performance in relation to domestic customers – updated March 2012
https://www.ofgem.gov.uk/about-us/how-we-work/working-customers/supplier-performance-social-obligations

Customer Vulnerability Strategy – published July 2013
https://www.ofgem.gov.uk/publications-and-updates/customer-vulnerability-strategy

Ability to Pay - Exploring the extent to which Ofgem guidelines regarding indebted customers are followed, from the customer and debt adviser perspective
http://www.consumerfutures.org.uk/files/2013/07/Ability-to-Pay-RS-Consulting.pdf

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Executive Summary

Debt and disconnection

At the end of 2013, approximately 1.5 million domestic electricity accounts (6%) and 1.4 million domestic gas accounts (6%) were in debt to their energy supplier. This is an increase on the 5% of electricity and gas accounts that were in debt at the end of 2012. As energy bills rise and household budgets come under increasing strain, it is important that suppliers do all they can to treat customers in financial difficulties fairly, and to help customers manage their bills, manage their debts and avoid disconnection. This is especially true of customers who have additional vulnerabilities.

Our latest data shows:

- **More consumers were in debt at the end of 2013 (6% of domestic electricity and gas accounts)** than at the end of 2012 (when 5% of domestic electricity and gas accounts were in debt).
- The increase in the number of gas and electricity customers repaying debt in 2013 in Great Britain largely reflects the increase in the number of accounts repaying debt in England. The trends in Scotland and Wales were different. In 2013, there were fewer electricity accounts repaying debt in Scotland and Wales than in 2012. An increase in the number of gas accounts repaying debt in these two nations was smaller than the increase seen across Great Britain.
- **Consumer electricity and gas debt in 2013 was similar to that seen in 2012.** At the end of 2013, consumers who agreed to repay their debt remained owing an average of £306 for electricity accounts and £323 for gas accounts (snapshot debt).
- **Customers were using a variety of payment methods to repay their debt, which included direct debit, PPM, budget payment schemes, Fuel Direct and other methods**. In 2013, PPM accounted for just under 20% of the new repayment arrangements agreed in that year, with the majority of the agreed arrangements (60%) being repaid using direct debit.
- **The average repayment amounts were broadly similar to those agreed in 2012.** The average weekly amounts consumers agreed to repay towards their debt in 2013 were between £6.20 per week and £6.80 per week, depending on fuel type and payment method. However, on average new PPM agreements to repay were longer than those agreed in 2012, suggesting that the average PPM debt has grown.
- **Customers of some smaller suppliers were more likely to be repaying more debt and have higher weekly repayment rates.** This is a continuation of the trend we observed last year. We are concerned that this indicates that these suppliers are not as proactive at managing debt or as flexible in agreeing lower repayment amounts as larger suppliers.
- **Although the number of electricity disconnections for debt rose in 2013, disconnections for debt remain rare** - 556 electricity customers and 84 gas customers were disconnected for debt in 2013. This compares to 453 electricity disconnections and 104 gas disconnections that were carried out in 2012.

Our action on debt and disconnection

Small supplier debt management workshop

We were concerned about higher than average debt and weekly repayment rates among small suppliers. So in January 2014, we held a debt management workshop in conjunction with Money Advice Trust. We recognise that small suppliers tend not have as much experience of managing debt or the safeguards to support customers. This workshop outlined protections and good practice in this area. We expect to see an improvement in suppliers' 2014 reporting. If we do not see this, we will consider other regulatory options and look to publish information on individual supplier performance.

Consumer debt advice guide

To ensure that customers struggling to pay their energy bills are aware of their rights and have access to independent information, we are working with the advice sector and suppliers to produce a consumer energy debt advice guide for GB-wide dissemination.

Supplier communications with customers in debt

We expect suppliers to show they are compliant with our key principles for ability to pay. In 2014 we reviewed how domestic suppliers had used alternative branding to communicate with indebted customers as part of a wider review. Concerns had been raised that customers were being misled, unduly pressured or scared into making payment they could not afford by suppliers' use of branding which implied that customers' debt had moved on to a next phase. The findings were published in an open letter in September 2014. We will continue reviewing supplier communications to customers in debt in 2015.

Smart meters and debt management

The government is aiming for all homes and small businesses to have smart meters by 2020. Smart meters can bring significant benefits to consumers, helping them manage their energy consumption and expenditure. However, the new functionality of smart meters also includes remote disconnection, remote switching, and load limiting. In recognition of this we introduced the Smart Metering Spring Package protections. We are monitoring companies' use of new technologies to ensure that customers are safeguarded and treated fairly.

Prepayment meters (PPM)

An estimated 16% of all electricity accounts and 15% of all gas accounts in 2013 were paid using PPM. The number of customers on PPMs continued to increase in 2013. There were over four million electricity PPM accounts and over three million gas PPM accounts at the end of 2013, respectively 4% and 6% more than there were at the end of 2012.

In 2013, around 300,000 new electricity PPMs and around 300,000 new gas PPMs were installed. Approximately 80% of the newly-installed prepayment meters (around 230,000 PPMs for each fuel) were installed to manage debt, while the remaining new prepayment meters were installed for reasons other than debt.

Compared to 2012, the proportion of new PPMs installed to manage debt declined (from around 83% to about 76%), while the proportion of new PPMs installed for reasons other than debt increased (from around 17% to around 24%).

About 115,000 electricity PPM customers (3%) and 95,000 gas PPM customers (3%) switched to credit meters in 2013. The number of customers switching from PPMs to credit meters declined during 2010-2012, but in 2013 the trend reversed, with about a fifth more electricity and gas customers switching from PPM to credit meters in 2013 compared to 2012.

Our action on prepayment meters

Installation of PPMs

Consumer groups have raised concerns that PPMs are being installed too early in the debt path, and that customers on low incomes are being encouraged on to them without being told enough about the advantages and disadvantages. We are therefore looking into supplier practices in this area.

Self-disconnection

While disconnections for debt remain very low, we recognise the risk that customers with prepayment meters can self-disconnect. We have been working with industry and Citizens Advice to better understand the extent of this problem, and how suppliers can best identify and monitor self-disconnection and help target support and advice at those in need.

Switching payment method

In 2013, we identified problems with some suppliers refusing to allow PPM customers to switch to credit meters. This included cases when a consumer failed a required credit check or was unable or unwilling to accept terms including those requiring payment of a security deposit. We are collecting information about supplier practices in this area.

Services for consumers in vulnerable situations

Suppliers are required to hold a Priority Services Register (PSR) of consumers who are of pensionable age, disabled or chronically sick and offer them a set of free services specified in the supply licences. The aim is to ensure equal outcomes and improved peace of mind for customers who may need additional support to communicate with their company or be or feel safe.

At the end of 2013, 9% of consumers were on suppliers’ Priority Services Registers. However, provision of priority services varied and only 21% of electricity PSR consumers and 26% of gas PSR consumers benefited from a priority service. Related to this, we are concerned that the number of free gas safety checks provided by suppliers declined from around 40,000 in 2009 to around 17,000 in 2013, a decline of 57%.

To ensure well-functioning energy markets and maximum benefits for consumers, it is important that consumers are easily able to switch supplier and payment method.

The ability to switch is particularly important for customers who are struggling to afford their bills and have debt. The Debt Assignment Protocol (DAP) allows PPM customers who are in debt and whose debt does not exceed £500 to switch their energy supplier.

Our data shows that less than 1% of consumers who attempted to switch supplier using the DAP in 2013 completed the switch (438 electricity accounts and 427 gas accounts). While this is an increase compared to 2012, the number of switches completed using DAP remained very small in both absolute and relative terms.

Our action on services for consumers in vulnerable situations

Review of Priority Services Register

In June-September 2014 we consulted on reviewing the Priority Services Register and requirements on suppliers to provide free gas safety checks. We are currently analysing the responses and in the spring will publish an initial position and timetable for change.

Debt Assignment Protocol (DAP)

In response to our concerns about low levels of consumer switching under the DAP process, we reviewed the DAP in 2014 and identified significant process failings. We published an open letter setting out the changes we expected supplier to make to improve the DAP and make switching easier. We will issue a consultation on the changes shortly. We believe that suppliers should agree a firm deadline for implementing changes by no later than the end of April 2015. The findings of our DAP review will feed into our wider work to speed up and improve the switching process for customers.

Consumer Vulnerability Strategy (CVS)

We are currently reviewing our Consumer Vulnerability Strategy. The findings of this monitoring will inform our update, which we will publish next year.

1. Introduction

Chapter Summary

This report details our monitoring of suppliers' Social Obligations in 2013. It includes information about domestic consumer debt, prepayment, disconnection and services for vulnerable customers. Please be aware that improvements to suppliers' reporting since July 2012 mean that it is not always possible to track trends over time. We highlight where this is the case in this report.

Overview of Social Obligations and monitoring

1.1. Suppliers must provide us with information about their dealings with domestic customers under standard condition 32 of their supply licence (SLC32). We refer to this as Social Obligations Reporting.

1.2. Under our Consumer Vulnerability Strategy, we aim to protect and empower consumers in vulnerable situations to reduce the likelihood and impact of such situations and maximise consumers' ability to benefit from the market.[1] Monitoring Social Obligations reporting is one of the key areas of work identified in our Consumer Vulnerability Strategy to protect the interests of such consumers.

1.3. This reporting allows us to monitor, among other things, that suppliers are treating customers fairly and have appropriate debt management procedures in place. This includes offering a variety of payment methods, making proactive contact and considering customers' ability to pay. Suppliers are required to share this information with us and with Citizens Advice.

1.4. We use the reporting to monitor trends over time, to evaluate the effectiveness of our policies and to identify best supplier practices and areas for improvement. Where our analysis of the data identifies issues of concern with supplier performance, we take action, either through discussion with individual suppliers or through our enforcement powers.

1.5. Social Obligations Reporting includes information about:

- the use of Prepayment Meters (PPMs), including where PPMs are used to repay debt
- debt rates and debt repayment arrangements
- disconnection rates
- help for vulnerable customers, ie the Priority Services Register (PSR) and free gas safety checks
- provision of energy efficiency advice.

[1] https://www.ofgem.gov.uk/ofgem-publications/75550/consumer-vulnerability-strategy.pdf

1.6. In addition to collecting quantitative data, we hold regular meetings with suppliers to capture other information about their procedures, processes, and initiatives linked to vulnerable customers, particularly in relation to debt and disconnection. We do this with jointly with Citizens Advice.

1.7. We expect suppliers to use their reporting in the day-to-day running of their business to allow them to monitor their own compliance with their Social Obligations and ensure they have appropriate debt management procedures in place.

Notes on the data in this report

1.8. This report contains analysis of some key metrics of suppliers' Social Obligations Reporting in 2013. Readers may also access the metrics in data tables on our website.[2]

1.9. Data throughout this report is reported by suppliers as required by our Social Obligations Reporting Guidance.[3] Unless otherwise stated, data relates to Great Britain. Notes at the start of each section provide information about our data. Definitions of words in italics can be found in the glossary at annex one of this report.

1.10. Suppliers report information about customers' gas accounts and electricity accounts separately. Some customers will have both a gas and an electricity account while others will only have an electricity account. Some customers will source their energy from one supplier while others will use one supplier for their gas and another for their electricity. Because of this, throughout this report we refer to total numbers of electricity and gas accounts rather than total numbers of customers.

1.11. We made improvements to the Social Obligations data that we collect from suppliers in July 2012. For example, we started collecting more detailed information about customer debt and about smart metering.[4] This means that for some of the data in this report there is no comparable data before July 2012. It also means that we may not yet be able to use this data to identify long-term trends. We highlight this at the appropriate points throughout this report.

1.12. As reported last year, in checking the accuracy of their data some suppliers identified errors in reporting previously provided and corrected them. Because of this, figures contained in this report may differ from those previously published. The

[2] https://www.ofgem.gov.uk/about-us/how-we-work/working-consumers/supplier-performance-social-obligations
[3] 'Guidance on monitoring suppliers' performance in relation to domestic customers'. https://www.ofgem.gov.uk/about-us/how-we-work/working-customers/supplier-performance-social-obligations
[4] Further information about this review can be found in 2012 Annual Report, https://www.ofgem.gov.uk/about-us/how-we-work/working-customers/supplier-performance-social-obligations

figures contained in this report are the latest provided by suppliers. The analysis provided in this report is based on the data at 3 December 2014.

2. Domestic energy debt

Chapter Summary

Analysis of domestic energy debt in Great Britain. This includes the number of customers in debt and levels of debt and how customers are repaying debt.

2.1. Under condition 27 of the electricity and gas supply licences, suppliers are obliged to offer domestic customers struggling to pay their electricity and/or gas bill the following payment options:

- Payment through a PPM where this is safe and reasonably practical.
- Payment by regular instalments paid through means other than a PPM (for example, direct debit or budget card).
- Payment by direct deductions from social security benefits received by the customers (known as Fuel Direct).

2.2. When agreeing repayment arrangements (ie how much the customer will repay and when) suppliers are required to take into account each individual customer's ability to pay. The key principles we expect suppliers to follow when doing this are set out in the box below. Further information can be found in our document 'Review of suppliers' approaches to debt management and prevention'.[5]

Key principles for ability to pay

The principles reflect key considerations which the Authority will look for, and take into account, along with any other relevant factors, when assessing compliance with supply licence condition 27.

- Having appropriate credit management policies and guidelines.
- Making proactive contact with customers.
- Understanding individual customers' ability to pay.
- Setting repayment rates based on ability to pay.
- Ensuring the customer understands the arrangement.
- Monitoring arrangements after they have been set up.

2.3. Suppliers must adhere to these principles by understanding each individual customer's situation and ensuring that repayment arrangements are manageable for individuals, even if this involves them repaying the debt over a longer period of time. Suppliers must monitor arrangements after they have been set up to ensure that they remain fit for purpose.

[5] https://www.ofgem.gov.uk/publications-and-updates/review-suppliers%E2%80%99-approaches-debt-management-and-prevention

Number of customers in debt to their energy supplier

Data notes

'Debt' here refers both to customers that are repaying a debt through a formal *debt repayment arrangement* and customers who are in *arrears*, ie, not yet on a formal debt repayment arrangement.

If a customer uses both gas and electricity it is possible for both their gas account and their electricity account to be in debt.

We changed how we collect information about average debt from quarter 3 (July-September) 2012. These changes give a more complete picture of energy debt but also mean it is not always possible to make comparisons with periods before July 2012.

2.4. At the end of 2013, approximately 6% of domestic electricity accounts (1.5 million) and 6% of domestic gas accounts (1.4 million) in Great Britain were in debt. This is more than at the end of 2012, when approximately 5% of domestic electricity and 5% of domestic gas accounts were in debt.[6]

2.5. Table 1 below shows the number of accounts with customers repaying a debt and the number accounts in arrears, by country, at the end of 2013.

Table 1: The number of domestic electricity and gas accounts in debt at the end of 2013

	Accounts with a customer repaying a debt *(% of accounts in country)*		Accounts in arrears where the debt is not being repaid *(% of accounts in country)*		Total accounts in debt[7] *(% of total accounts in country)*	
	Elec	**Gas**	**Elec**	**Gas**	**Elec**	**Gas**
GB	1,017,147 *3.8%*	936,122 *4.2%*	513,438 *1.9%*	445,163 *2.0%*	1,530,585 *5.7%*	1,381,285 *6.2%*
England	860,666 *3.8%*	804,139 *4.2%*	446,981 *2.0%*	386,551 *2.0%*	1,307,647 *5.7%*	1,190,690 *6.2%*
Scotland	112,050 *4.3%*	91,997 *4.7%*	41,062 *1.6%*	36,311 *1.8%*	153,112 *5.9%*	128,308 *6.5%*
Wales	44,431 *3.2%*	39,986 *3.6%*	25,395 *1.8%*	22,301 *2.0%*	69,826 *5.0%*	62,287 *5.6%*

[6] https://www.ofgem.gov.uk/about-us/how-we-work/working-customers/supplier-performance-social-obligations

[7] The sum of the percentages repaying a debt plus those in arrears may not always equal the total percentage of customers in debt due to rounding.

2.6. It shows that, at the end of 2013:

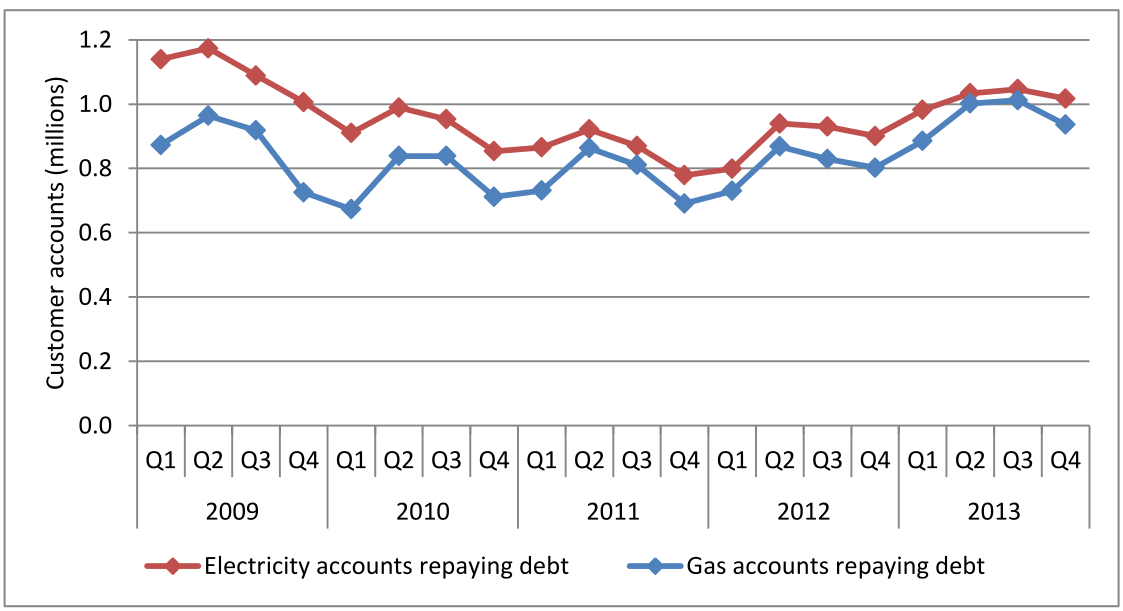
- A higher proportion of gas accounts (6.2%) than electricity accounts were in debt (5.7%).
- Around a third of accounts in debt (513,438 electricity accounts and 445,163 gas accounts) were not repaying the debt owed.
- Energy accounts in Scotland were most likely to be in debt (5.9% of electricity accounts and 6.5% of gas accounts) and more likely to have agreed an arrangement to repay that debt than those in the rest of GB.
- Energy accounts in Wales were less likely to have a debt than those in the rest of GB.

2.7. Similar observations could be made in 2012.

Number of accounts with a customer repaying debt

2.8. Figure 1 below shows over time the total number of electricity and gas accounts with a customer repaying a debt.

Figure 1: The number of gas and electricity accounts with a customer repaying a debt, 2009-2012 (millions)



2.9. Figure 1 shows that the seasonal pattern to energy debt observed in previous years continued in 2013. The number of accounts with a customer repaying a debt falls towards the end of the year, when customers that pay quarterly are billed for the warmer months. It then rises in the spring when customers that pay quarterly fall into arrears following higher energy usage during the winter months. As the majority of consumers use gas to heat their homes this effect is more pronounced in gas.

2.10. It also shows that the downward trend in the number of accounts with a customer repaying a debt observed in 2009-2011 reversed in 2012. More accounts had a customer repaying a debt at the end of 2013 and 2012 than at the end of 2011.

2.11. Table 2 and Table 3 below compare the number of accounts with a customer repaying a debt across Great Britain, in England, Scotland and Wales in 2010, 2011, 2012 and 2013.

Table 2: Number of electricity accounts with a customer repaying a debt on 31 December in 2010, 2011, 2012 and 2013

Country	2010	2011	2012	2013	Percentage change 2010-2013	Percentage change 2012-2013
GB	853,556	778,633	900,911	1,017,147	19%	13%
England	691,528	623,659	738,736	860,666	24%	17%
Scotland	124,261	117,652	115,691	112,050	-10%	-3%
Wales	37,767	37,322	46,484	44,431	18%	-4%

Table 3: Number of gas accounts with a customer repaying a debt on 31 December in 2010, 2011, 2012 and 2013

Country	2010	2011	2012	2013	Percentage change 2010-2013	Percentage change 2012-2013
GB	711,492	690,822	802,469	936,122	32%	17%
England	602,743	573,525	677,700	804,139	33%	19%
Scotland	78,111	83,782	86,413	91,997	18%	6%
Wales	30,638	33,515	38,356	39,986	31%	4%

2.12. Suppliers reported that customers were repaying debts associated with 1,017,147 electricity accounts and 936,122 gas accounts across Great Britain at the end of 2013. This represents 3.8% of all electricity accounts and 4.2% of all gas accounts in GB (see Table 1 above).

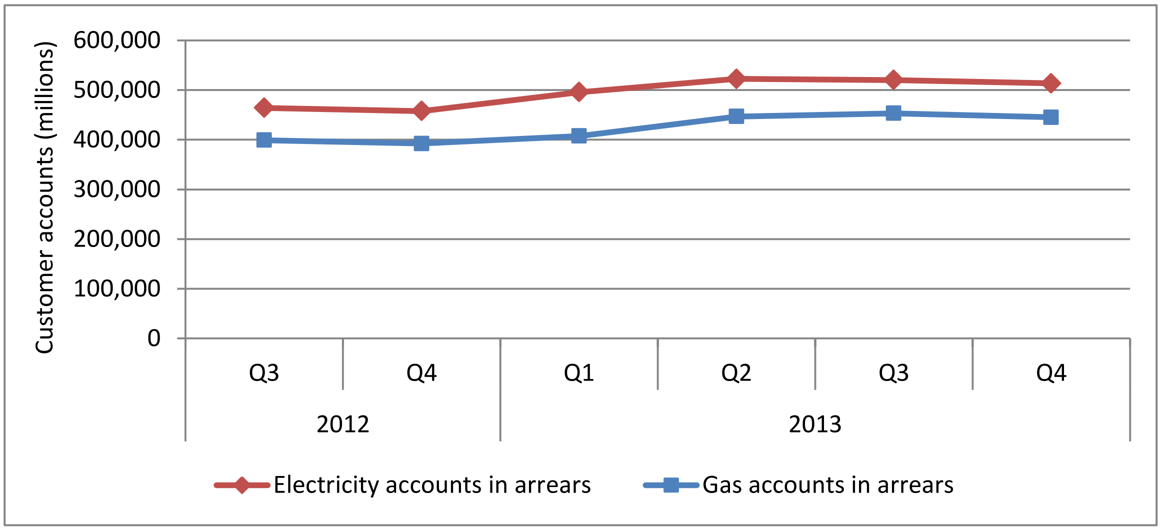
2.13. At the end of 2013, the number of electricity and gas accounts with a customer repaying debt increased by 13% and 17% respectively, compared to the end of 2012. The rise probably resulted from a combination of reasons, including rising energy prices, flat incomes and a colder than usual winter of 2012-13.

2.14. The increase in the number of gas and electricity accounts with a customer repaying a debt in Great Britain largely reflects the England average. However, the trends in Scotland and Wales look different. In Scotland and Wales, fewer electricity accounts had a customer repaying a debt at the end of 2013 compared to at the end of 2012. Although there was an increase in the number of gas accounts with a customer repaying a debt at the end of 2013 it was not as significant as the average rise seen across Great Britain.

Number of accounts with a customer in arrears

2.15. Figure 2 below shows over time the total number of electricity and gas accounts with a customer in arrears.

Figure 2: The number of gas and electricity accounts with a customer in arrears, 2012-2013 (millions)



2.16. Table 4 and Table 5 below compare the number of accounts with a customer in arrears across Great Britain, in England, Scotland and Wales in 2012 and 2013.

Table 4: Number of electricity accounts with a customer in arrears on 31 December, in 2012 and 2013

Country	2012	2013	Percentage change 2012-2013
GB	457,853	513,438	12%
England	396,328	446,981	13%
Scotland	37,510	41,062	9%
Wales	24,015	25,395	6%

Table 5: Number of gas accounts with a customer in arrears on 31 December, in 2012 and 2013

Country	2012	2013	Percentage change 2012-2013
GB	392,384	445,163	13%
England	338,720	386,551	14%
Scotland	32,812	36,311	11%
Wales	20,852	22,301	7%

2.17. Suppliers reported that customers in arrears were associated with 513,438 electricity accounts and 445,163 gas accounts across Great Britain at the end of 2013. This represents 1.9% of all electricity accounts and 2.0% of all gas accounts in GB (see Table 1 above).

2.18. The number of customer accounts with a customer in arrears increased by 12% for electricity and 13% for gas at the end of 2013, compared to the end of 2012.

2.19. The increase in the number of gas and electricity accounts with a customer in arrears in 2013 took place in all nations across Great Britain. The largest increase was observed in England (13% for electricity and 14% for gas). Scotland and Wales saw smaller increases in the number of accounts in arrears in 2013.

2.20. We note that three smaller suppliers have much higher proportion of customers in arrears than the industry average and we are concerned that this indicates they are less successful at agreeing arrangements to repay debt with their customers. We plan to explore this further with the suppliers concerned.

Levels of energy debt

Data Notes

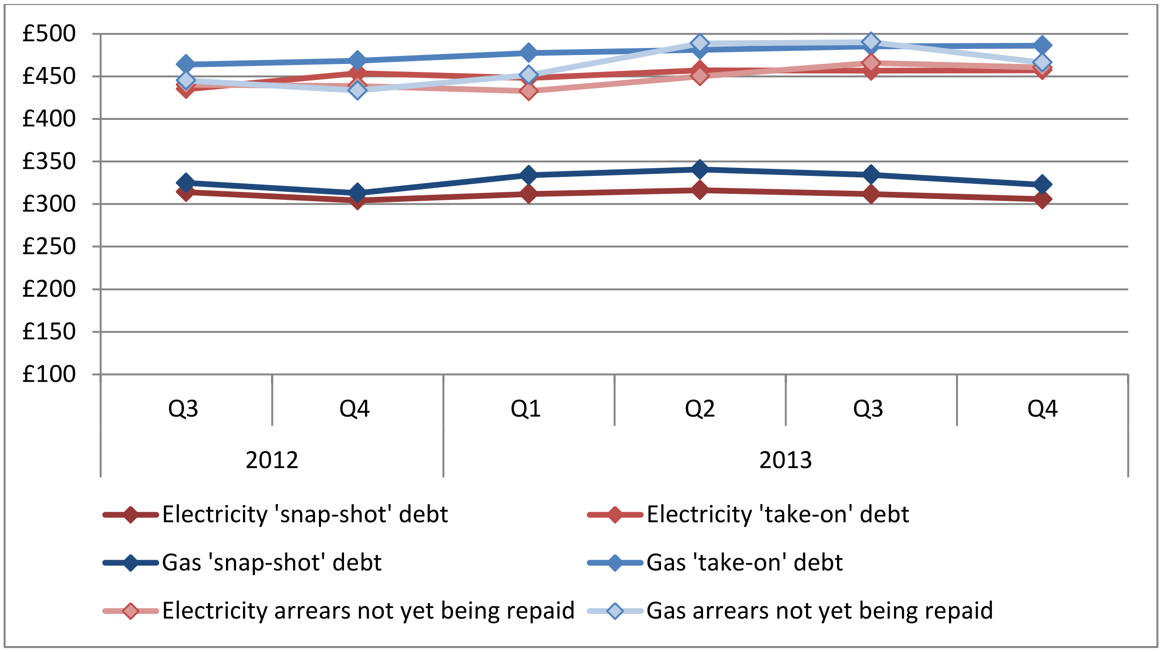
Take-on debt is the average level of debt associated with gas and electricity accounts that customers agreed to repay at the start of their *formal repayment arrangement*.

Snapshot debt is the average amount of debt that remains owing on *formal repayment arrangements* at the end of the quarter.

Arrears is the average amount owed by consumers who have a bill outstanding for three months or more but are not on a *formal repayment arrangement*.

2.21. In this section we review data on average levels of debt provided by suppliers under the new arrangements between quarter 3 (July-September) 2012 and quarter 4 (October-December) 2013. The data is shown in Figure 3 below.

Figure 3: The average level of debt associated with gas or electricity accounts in debt reported by suppliers between quarter 3 (July-September) 2012 and Q4 (October-December) 2013.



2.22. At the end of 2013, consumers who agreed a *formal repayment arrangement* remained owing an average of £306 for electricity accounts and £323 for gas accounts *(snapshot debt).* This is approximately as much as they owed for electricity (£304) and 3% more than what they remained owing for gas (£313) at the end of 2012.

2.23. The reported data shows that where an account was in arrears at the end of 2013 electricity accounts had an average of £460 arrears and gas accounts had an average of £466 arrears. This is 5% more and 8% more respectively compared to average arrears at the end of 2012.

2.24. There is a further breakdown of gas and electricity account debt that remained owing at the end of 2013 in Table 6 below. It shows that around 70% of the accounts that remained on electricity and gas repayment arrangements (snap-shot debt) at the end of 2013 had debts below £300.

Table 6: Breakdown of the amounts that remained owing on gas and electricity accounts in debt at the end of 2013 where a customer was repaying the debt.

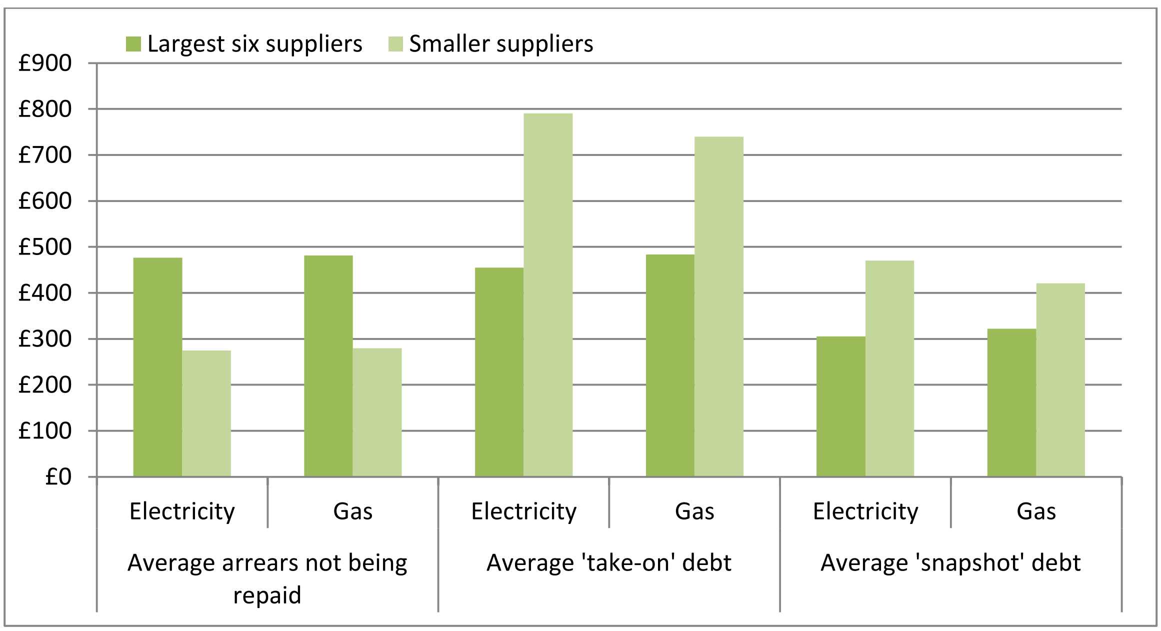
Accounts repaying debt	Amounts remained owing			
	less than £100	£100-£300	£300-£600	more than £600
Electricity	43%	27%	14%	16%
Gas	38%	30%	16%	16%

Differences in average debt between suppliers

2.25. In last year's annual report we highlighted that gas and electricity accounts with smaller suppliers were more likely to have higher '*take-on'* debt than accounts with the largest six suppliers.[8] We were concerned that this indicated that small suppliers were taking longer than the six largest suppliers to agree arrangements for customers to repay debts associated with their gas and/or electricity accounts. This is not in the interest of the customer or the supplier.

2.26. New data we are collecting about customers in arrears but not repaying their debt allows us to monitor the extent to which accounts are building up debt before customers agree a repayment arrangement. The key principles for ability to pay described in paragraph 2.2 of this report require suppliers proactively agree debt repayment arrangements to prevent debt building up. Figure 4 below shows the average level of debt owed on gas and electricity accounts with the largest six suppliers and those with smaller suppliers at the end of 2013.

Figure 4: Average debt associated with gas and electricity accounts with the largest six suppliers and with small suppliers at the end of 2013.



2.27. This shows that at the end of 2013 customers of small suppliers had lower levels of arrears. However, the gap in the 'take-on' debt narrowed only slightly and remained substantial with customers of smaller suppliers, on average agreeing to repay much larger sums.

[8] The largest six suppliers are British Gas, EDF, E.ON, npower, Scottish Power and SSE. The data excludes data for Ovo Energy due to reporting errors.

2.28. In January 2014 we held a debt management workshop in conjunction with Money Advice Trust, at which we discussed best practice in agreeing affordable repayment arrangements and avoiding disconnection. As small suppliers' debt management policies develop following this workshop, we expect to see the gap closing between the average levels of debt held by the six largest suppliers and smaller suppliers. We will discuss concerns over the size of average debt with suppliers individually. If we do not see improvement we will look to publish information on individual supplier performance in this area and consider other appropriate actions.

2.29. Their licence requires suppliers to give customers having difficulty paying information on how they can reduce their bills by using energy more efficiently.[9] To further encourage consumers to take action to avoid their debt growing, we are working with debt advice providers to produce an independent advice guide. The guide will be sent to consumers who have received multiple reminders to pay.

How debt is being repaid

Data notes

Average repayment rates and *average weeks to repay* are those agreed at the start of a repayment arrangement. It is possible and good practice for rates and repayment periods to alter during the agreement as consumers situations change.

Information about average repayment rates is reported separately for consumers repaying via a *prepayment meter* and consumers repaying via other '*credit arrangements'* methods.

Budgeting payment schemes allow customers to pay by weekly/fortnightly/twice monthly payment schemes, and flexible payment methods such as using a payment card/book to make frequent cash payments.

Failed arrangements are where the customer has failed to make an agreed payment under a formal debt repayment arrangement without prior agreement of the supplier and payment was outstanding 10 days after the agreed payment date.

Repayment methods

2.30. In 2013, just over half of customers who entered debt repayment arrangements agreed to repay their debt by direct debit: 58 per cent for electricity and 59 per cent for gas. Budget payment schemes were also popular repayment method, accounting for 13 per cent of electricity repayment arrangements and 14 per cent of gas repayment arrangements.

[9] SLC 27.6(b) of the standard electricity and gas supply licences.

2.31. PPM accounted for only one fifth of all repayment arrangements: 19% for both electricity and gas. These numbers suggest that suppliers are offering customers a range of repayment methods, rather than installing a PPM as the default method of recovering debt. More information about the use of PPMs can be found in Chapter 3.

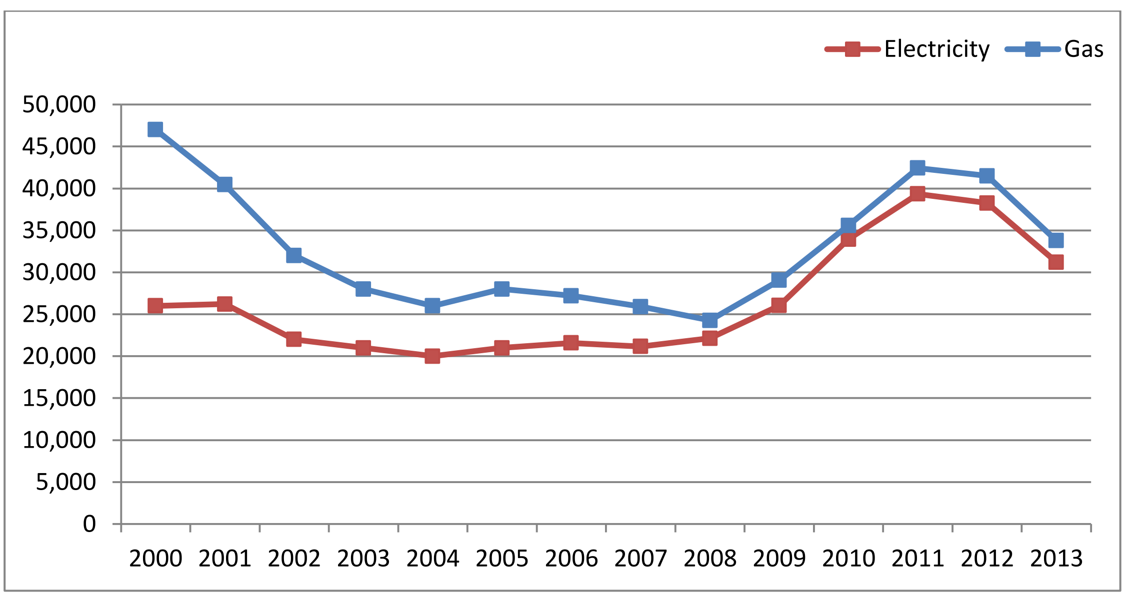
Fuel Direct

2.32. In 2013, 2% of customers who entered debt repayment arrangements agreed to repay via Fuel Direct. This scheme (also known as Third Party Deductions) is administered by the Department of Work and Pensions (DWP) to facilitate direct, fixed-amount payments for energy debt and ongoing consumption from specific social security benefits. The scheme is generally considered by suppliers and DWP to be a 'last resort' for customers who are in payment difficulty, receive social security benefit and have no other suitable method of repaying debts associated with their gas and/or electricity accounts.

2.33. Fuel Direct has a number of benefits for customers. It provides automatic access to a low debt repayment level and it offers an alternative method of payment where other methods have not been successful and a PPM is not suitable. It can be a valuable means of assisting vulnerable customers on low incomes who are struggling to budget effectively.

2.34. Figure 5 below shows the total number of electricity and gas accounts paid by Fuel Direct since 2000.

Figure 5: Number of electricity and gas accounts paid by Fuel Direct



2.35. It shows that at the end of 2013 approximately 31,000 electricity accounts and 34,000 gas accounts were being paid by Fuel Direct. This is fewer (18% and 19% respectively) than were being paid by Fuel Direct at the end of 2012. Most of the reduction in Fuel Direct numbers for both electricity and gas seems to be driven by a single large supplier, which was responsible for the majority of the decline. However, small declines were observed across the industry. We expect suppliers to use Fuel Direct where appropriate and will be examining the reasons behind the fall in numbers.

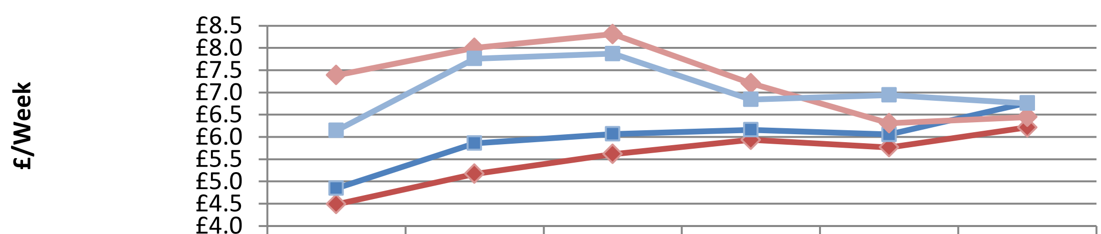
2.36. Once debt has been repaid, consumer groups and advice charities have told us that Fuel Direct remains a useful tool to help prevent customers falling back into debt. It can be a valuable means of facilitating regular payment, allowing vulnerable consumers whose situations prevent them from budgeting effectively to maintain a supply of energy. At the end of 2013, nearly one in four of Fuel Direct customers was not repaying a debt.

2.37. DWP has indicated that when Universal Credit is introduced, consumers who are no longer repaying a debt will not be allowed to use Fuel Direct to pay for their gas and electricity.[10] We wrote to DWP in September 2014 with our concerns that such a change would not be in these consumers' interests and may make it more likely that they will fall back into debt. In November 2014 Ofgem's CEO Dermot Nolan met with Minister for Welfare Reform, Lord Freud to express concerns on this. DWP is committed to keep reviewing the impact of benefits changes on indebted consumers.

Average repayment arrangements

2.38. Figure 6 below shows average repayment rates agreed in 2013 compared to those agreed in previous periods. It compares rates agreed with consumers who have had a PPM installed to manage their debt and customers repaying debt using other 'credit' methods.

Figure 6: Average weekly debt repayment rates from 2008-2013

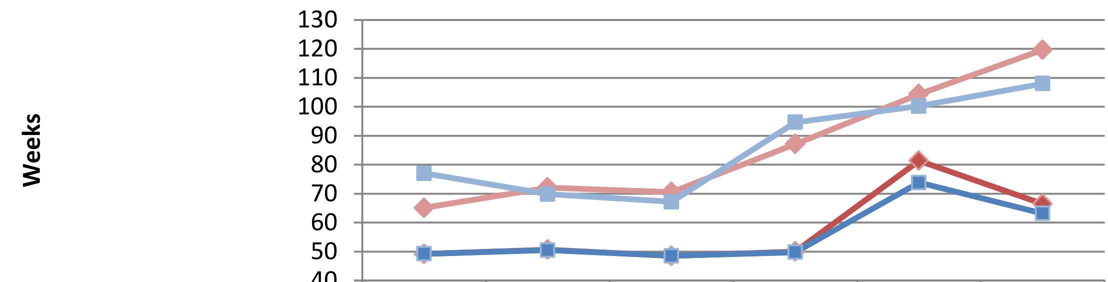


	2008	2009	2010	2011	2012	2013
Electricity Credit	4.5	5.2	5.6	5.9	5.8	6.2
Gas Credit	4.8	5.9	6.1	6.2	6.1	6.8
Electricity PPM	7.4	8.0	8.3	7.2	6.3	6.4
Gas PPM	6.1	7.8	7.9	6.8	6.9	6.8

[10] http://www.citizensadvice.org.uk/index/policy/policy_publications/er_benefitsandtaxcredits/all_change_welfare_reform.htm

2.39. Figure 7 below compares the length of repayment periods agreed for customers repaying their account debt using a PPM, with those agreed for customers repaying their account debt via other 'credit' methods.

Figure 7: Average length in weeks of debt repayment arrangements agreed between 2008 and 2013



	2008	2009	2010	2011	2012	2013
Electricity Credit, Weeks	49	51	48	50	81	66
Gas Credit, Weeks	49	50	49	50	74	63
Electricity PPM, Weeks	65	72	71	87	104	120
Gas PPM, Weeks	77	70	67	95	100	108

2.40. Repayment rates must be based on consumers' ability to pay rather than the size of their debt or their repayment method. In the past we have expressed concern that average repayment rates agreed with customers having PPMs installed to manage debt have been higher than customers agreeing to repay debt via other methods. In 2013, repayment rates agreed with customers repaying via a PPM were closer to those agreed with customers repaying via other methods than they have been in the past. However, we are concerned that this is because of an increase in the rates agreed with other customers rather than a reduction in the rates agreed with PPM customers.

2.41. The rise we have seen in average repayment rates for credit repayment agreements coincides with a fall in the average number of weeks consumers are being given to repay their debt. We are concerned this may indicate that suppliers are shortening the time period over which they will allow consumers to repay debt before they seek to fit a PPM. This is something that we will investigate.

2.42. The average number of weeks that consumers are being given to repay their debt via PPM increased in 2013. This coupled with average repayment rates similar to those seen in 2012 indicates that the average debt being repaid by consumers who have a PPM installed to manage their debt rose in 2013.

Average repayment rates agreed by different suppliers and best practice in understanding customers' ability to pay

2.43. Data reported by suppliers suggests that around 60% of electricity and gas customers agreed to repay their debt at between £0.01 and £5.99 per week.

2.44. Figure 8 and Figure 9 below show the level of repayment rates agreed by largest six suppliers and smaller suppliers between January and December 2013. For example, it shows that just under 50% of Scottish Power customers agreed to repay their debt at between £0.01 and £2.99 a week.

Figure 8: Weekly repayment rates agreed by the largest six energy suppliers in 2013 as a percentage of arrangements agreed to repay a debt

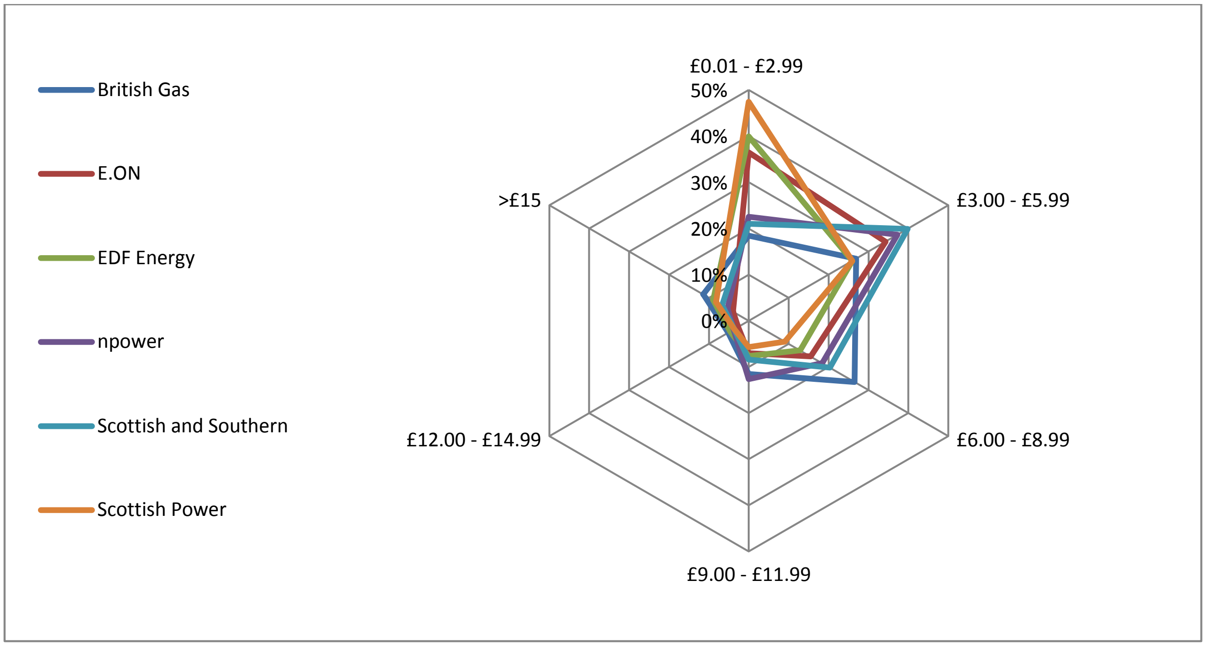
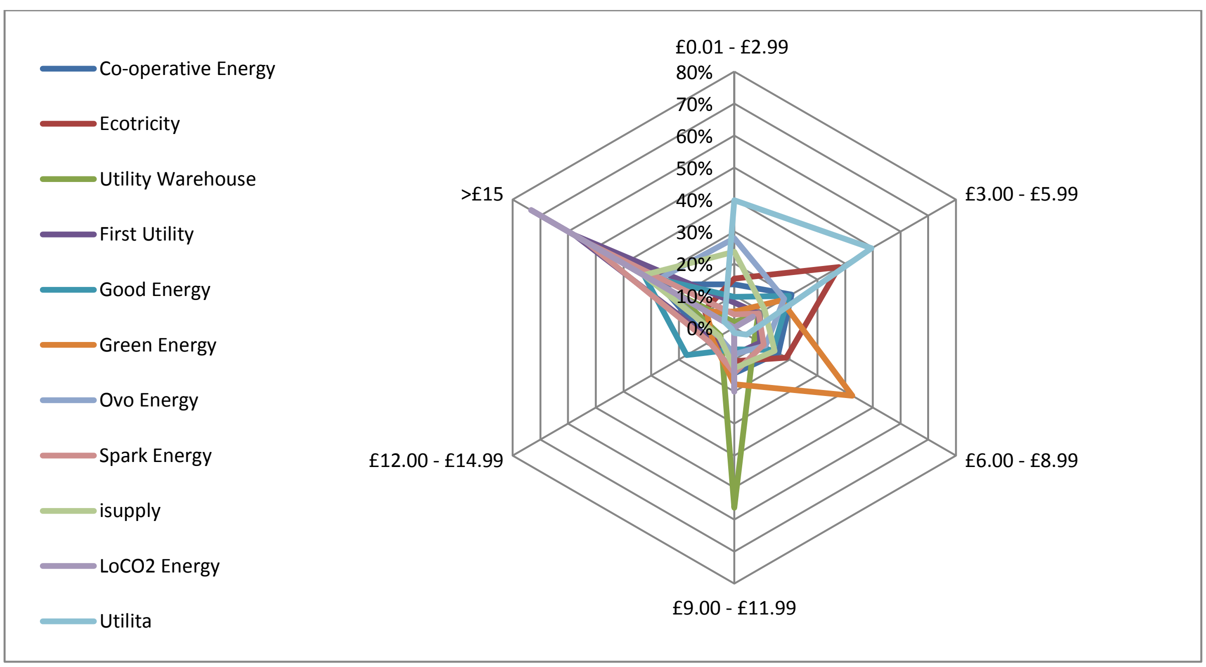


Figure 9: Repayment rates agreed by the smaller suppliers in 2013 as a percentage of arrangements agreed to repay a debt



2.45. This data shows some differences in repayment arrangements agreed by different suppliers, particularly smaller suppliers. The majority of customers of the six largest suppliers and Ecotricity, were likely to agree an arrangement to repay their debt at less than £6 a week. By contrast, customers of Spark Energy, First Utility and LoCO2 Energy were most likely to agree to repay their debt at more than £15 a week.

2.46. The marked differences between the repayment rates agreed by suppliers suggest that supplier processes and procedures to assess a customer's ability to pay may be influencing the repayment rates they agree with their customers. We covered this issue at the debt management workshop we held with Money Advice Trust in January 2014. We expect to see improvements to suppliers' processes following the workshop and we will be discussing progress made with individual suppliers over the coming months. If we do not see improvements in supplier processes in 2014 we will consider appropriate action.

Failed arrangements

Data notes

We monitor broken repayment arrangements through what we call 'failed arrangements' reporting. This is where a customer misses a payment or makes it more than 10 working days after the agreed payment date. It does not include agreements that have been terminated.

2.47. There are a number of reasons an arrangement to repay debt might fail, for example:

- The arrangement may not be affordable because it didn't take the customer's ability to pay into account.
- The customer's circumstances may have changed and they may not be able to afford or make payments.
- The customer may have forgotten to pay
- The customer may have decided not to keep to the agreement.

2.48. Where customers use a PPM to repay debts, arrangements do not fail in the same way as payments are automatically deducted from their meter. If a PPM customer cannot afford repayments they may self-disconnect, ie they may not be able to afford to top-up their prepayment meter to pay for ongoing consumption in addition to the payment made towards their debt. Self-disconnection is not captured in our failed arrangements reporting. This issue is discussed further in the PPM section of this report.

2.49. Our 'ability to pay' principles described in paragraph 2.2 of this report require suppliers to monitor arrangements after they are agreed to ensure they remain suitable. Consumers should be encouraged to get in touch if their circumstances change or they are struggling to keep to their agreement. We expect suppliers to use information about trends in failed arrangements to review the performance of their debt advisors and improve their processes.

2.50. Figure 10 and Figure 11 below compare non-PPM repayment arrangements agreed by suppliers and those that failed in 2013. It should be noted that arrangements that failed in this period may have been agreed in an earlier period. Repayment arrangements in Figure 10 are shown by repayment method, while repayment arrangements in Figure 9 are shown by repayment rate.

Figure 10: Comparison of repayment arrangements agreed and arrangements that failed in 2013 (combined electricity and gas) – by repayment method

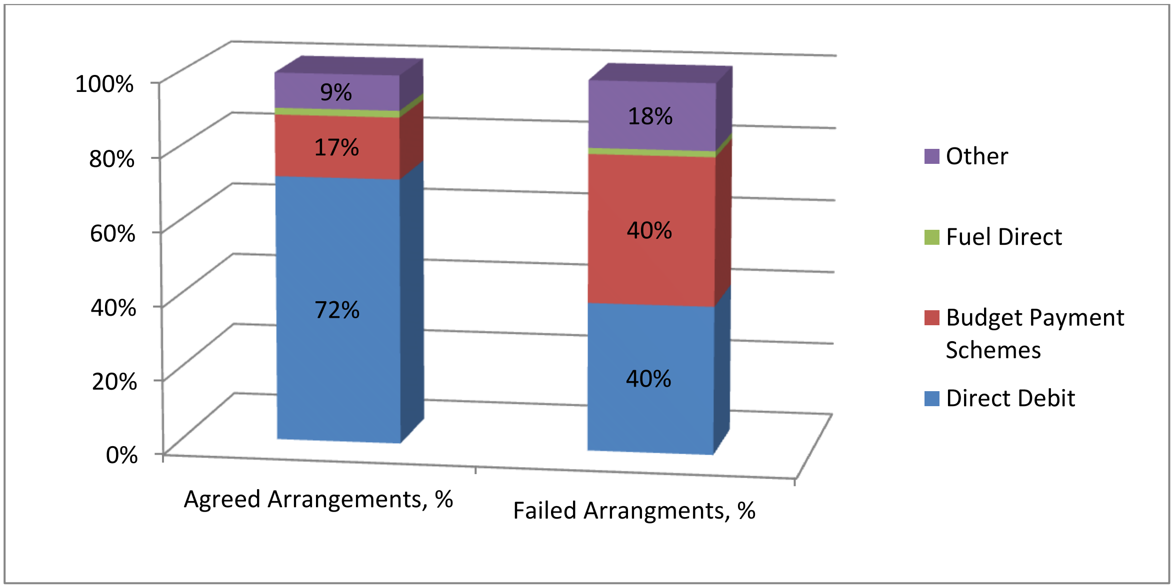
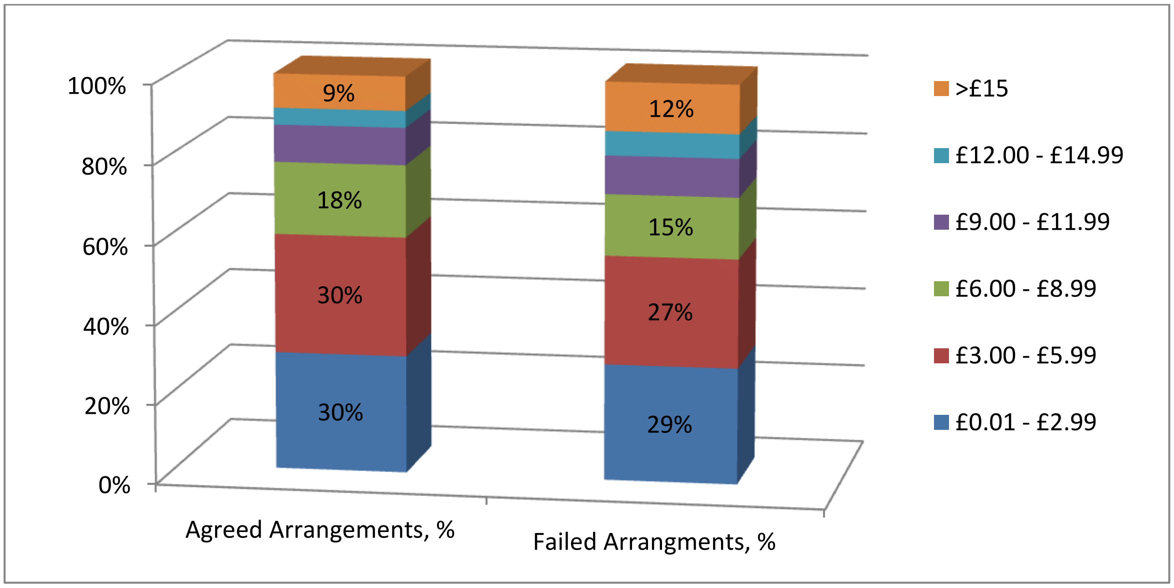


Figure 11: Comparison of repayment arrangements agreed and arrangements that failed in 2013 (combined electricity and gas) – by repayment rate



2.51. The data suggests that customers who repay their debt using passive methods such as direct debit and Fuel Direct are less likely to default on their repayment arrangements, than customers repaying through budget payment schemes or other payment methods that require them to take action to make payments towards their debt. For example, the majority (72%) of arrangements agreed between January and December 2013 involved repayment via direct debit, but direct debit only accounted for approximately 40% of failed arrangements. Conversely, only 17% of arrangements agreed involved repayment via a budget payment scheme but this method accounted for 40% of failed arrangements in the period.

2.52. As expected, this data also suggests that repayment arrangements are less likely to fail when they are set at a lower rate. Between January and December 2013, arrangements to repay a debt at less than £3 a week accounted for 30% of arrangements agreed and 29% of failed arrangements. Arrangements to repay a debt at £15 a week or more accounted for 9% of arrangements agreed and 12% of failed arrangements.

Suppliers' communications with indebted consumers

2.53. Energy suppliers are responsible for collecting debt, whether done in-house or via third parties. Our key principles for ability to pay require suppliers to proactively contact customers to identify if they are having difficulty paying. They must make efforts to understand each individual consumer's ability to pay and to agree repayment arrangements they can afford. Separately, the Consumer Protection from Unfair Trading Regulations requires that companies do not mislead consumers and our Standards of Conduct[11] require suppliers to act transparently.

2.54. In July-September 2014 we reviewed how domestic suppliers had used alternative branding to communicate with indebted customers.[12] We developed three tests that suppliers must pass with regard to their debt-related communications in order to comply with our rules and consumer protection regulations.

- Is it obvious who the communication is from?
- Is it clear whether or not a new stage has been reached in the debt collection process, and the implications of this, and is this communicated in a way that does not promote fear?
- Does the communication comply with our rules on ability to pay?

2.55. We saw a wide range of practices by suppliers, a substantial number of which did not fully pass these three tests. In particular, some branding or detailed wording used implied that the case has been passed to a separate debt collection agency when it had not been, and that a new stage of the debt collection process had been

[11] Standard Licence Condition 25C of the electricity and gas supply licences.
[12] https://www.ofgem.gov.uk/publications-and-updates/using-alternative-branding-communicate-indebted-customers

reached, with more serious implications. Most of these unacceptable practices have now changed and we have been clear with suppliers that they must not recur.

2.56. We are conducting a wider review of suppliers' communications with indebted consumers. We expect suppliers to demonstrate that they are compliant with our key principles for ability to pay.

Smart meters and debt management

2.57. The government is aiming for all homes and small businesses to have smart meters by 2020. Energy suppliers will be required to install smart meters and take all reasonable steps to install them in all households.

2.58. Smart meters are expected to help consumers better understand and manage their energy use. Domestic consumers with smart meters will be offered an In-Home Display that shows the cost of consumption in pounds and pence. They should bring an end to estimated bills and result in customers' bills being more accurate. They can also allow for more convenient and flexible billing frequency and payment arrangements. We expect that this will help consumers manage their bills.

2.59. The new functionality of smart meters can enable suppliers to help stop customers' debt building up, and manage their energy debt. For example, smart meters should make switching between credit and PPM methods easier and faster, and reminders could be sent to consumers when they reach an agreed budget threshold.

2.60. As part of Social Obligations Reporting, we already collect data on a number of indicators related to the use of smart meters across Great Britain. In the context of the SOR, smart meters are taken to mean an 'Advanced Domestic Meter', which is defined as a meter installed in a domestic premise that:

- provides gas or electricity consumption data for multiple time periods
- is able to provide the supplier with remote access to such data.[13]

2.61. Table 7 below shows the number of smart meters installed in GB homes at the end of 2012 and at the end of 2013.

Table 7: Number of smart meter customers at the end of 2012 and 2013

	2012	2013	Change
Electricity	454,861	719,739	58%
Gas	317,342	466,794	47%

[13] https://www.ofgem.gov.uk/about-us/how-we-work/working-customers/supplier-performance-social-obligations

2.62. At the end of 2013, there were around 700,000 smart electricity meters and around 500,000 smart gas meters installed in GB. The number of smart meters increased significantly by the end of 2013 compared to the end of 2012.

2.63. Smart metering enables remote disconnection and remote switching between credit and prepayment mode. This means that there will no longer be an operational need to visit the premises to disconnect or install a prepayment meter. The home visit acts as an important check for vulnerability. Suppliers do need to ensure that it is safe and reasonably practical to put a consumer onto prepayment, and this applies equally to smart meters.

2.64. The Consumer Empowerment and Protection project, part of our Smarter Markets programme, has set out nine work areas across three phases. Phase 1, which has started, includes three work areas: smart billing, smart prepayment and Time-of-Use tariffs. In December 2013 we published a consultation on the Consumer Empowerment and Protection project[14], and we issued our response and decision document[15] in September 2014.

2.65. As part of our Consumer Protections and Empowerment work we aim to help customers in debt by ensuring the delivery of:

- Accurate bills and an end to estimated bills and back billing when it is not customer’s fault – billing problems can cause considerable worry, push customers into debt and on to more expensive payment methods
- Convenient billing frequencies and optimal direct debit calculations – to help customers budget.

[14] https://www.ofgem.gov.uk/publications-and-updates/consumer-empowerment-and-protection-smarter-markets
[15] https://www.ofgem.gov.uk/ofgem-publications/90348/consumerempowermentandprotectionupdatedworkprogramme.finalpdf.pdf

3. Prepayment meters (PPMs)

Chapter Summary

Analysis of suppliers' use of prepayment meters (PPMs). This includes the number of accounts paid using a PPM, instances of PPMs being installed and the number installed to manage debt, and the number of PPM customers repaying an energy debt.

Total number of PPMs

3.1. There were more than 4 million electricity PPM accounts and over 3 million gas PPM accounts in Great Britain in 2013. This amounted to 16% of all electricity customer accounts and 15% of all gas customer accounts.

3.2. In Scotland, there was over 500,000 PPM electricity accounts and over 300,000 PPM gas accounts at the end of 2013. This amounted to 21% of all electricity accounts and 16% of all gas accounts in Scotland at the end of 2013. In Wales, at the end of 2013 there were nearly 300,000 electricity PPM accounts (20% of all electricity accounts) and over 200,000 gas PPM accounts (19% of all gas accounts).

3.3. Table 8 below shows the total number of PPM accounts in GB, England, Scotland and Wales in 2012 and 2013.

Table 8: Total number of gas and electricity PPM accounts

	Electricity			Gas		
	2012	**2013**	**Change**	**2012**	**2013**	**Change**
GB	4,256,065	4,422,504	4%	3,099,245	3,282,080	6%
England	3,461,205	3,589,729	4%	2,607,571	2,757,173	6%
Scotland	524,766	551,542	5%	293,859	314,659	7%
Wales	270,094	281,233	4%	197,815	210,248	6%

3.4. In our 2012 Social Obligations annual report we highlighted a long-term upward trend in the number electricity and gas accounts paying in advance for their energy via PPM. This trend continued in 2013, with the total number of electricity and gas accounts paying via PPM in GB increasing by around 4% and 6% respectively.

3.5. Growth rates for electricity PPMs were largely similar across the nations. However, the rate of growth for PPMs was more pronounced in Scotland: 5% compared to 4% across GB for electricity and 7% compared to 6% across GB for gas.

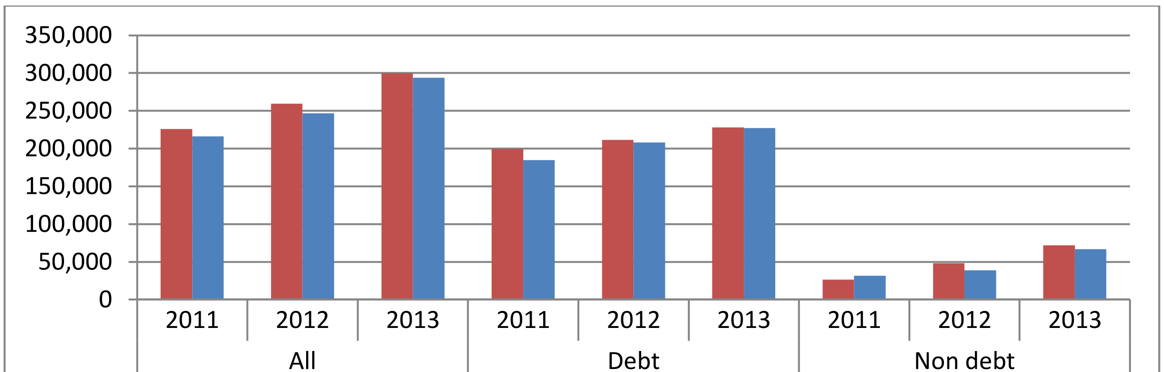
PPM installation rates

3.6. Suppliers must not disconnect customers in debt unless they have taken all reasonable steps to recover debt by offering consumer a range of repayment options.[16] A PPM may be offered where it is safe and reasonably practical in all the circumstances for the consumer to use one.

3.7. Citizens Advice has conducted research into consumers' use of prepayment meters.[17] They found that PPM users are more likely to be on lower incomes than the average energy customer and that many consumers like PPMs because they help them budget and avoid debt. Fuel poverty data for England from the Department of Energy and Climate Change shows that PPM customers are nearly three times more likely to be in fuel poverty than customers paying by direct debit: 19% of PPM customers were in fuel poverty compared to 7% of direct debit customers who were in fuel poverty, for both electricity and gas.[18]

3.8. Figure 12 below shows the number of electricity and gas PPM installations over the past three years, split by those that were installed to manage a debt associated with the account and those installed for other reasons.

Figure 12: Number of PPMs installed because of account debt and for reasons other than account debt, 2011-2013



	All			Debt			Non debt		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Elec	226,012	259,425	299,784	199,483	211,519	227,886	26,529	47,906	71,898
Gas	216,267	246,817	293,846	184,726	208,235	226,999	31,541	38,582	66,847

3.9. It shows that overall, approximately 300,000 electricity PPMs and 300,000 gas PPMs were installed during 2013. These numbers include PPMs installed to manage debt and those installed for reasons other than debt. This is around 20% more gas and electricity PPMs than were installed in 2012.

[16] Standard licence condition 27.9 of the gas supply licence and the electricity supply licence.
[17] http://www.citizensadvice.org.uk/topping_up_or_dropping_out
[18] https://www.gov.uk/government/collections/fuel-poverty-statistics

3.10. As in previous years, the majority of newly-installed PPMs (nearly 80% for both electricity and gas) were installed to manage debt. This amounted to around 230,000 PPMs for each fuel.

3.11. We have also seen a proportionally larger increase in the number of PPMs installed for reasons other than to repay debt. 50% more electricity PPMs and 73% more gas PPMs were installed to manage accounts for reasons other than debt in 2013 compared to 2012.

3.12. Consumer groups have raised concerns that PPMs are being installed too early in the debt path, and that customers on low incomes are being encouraged on to prepayment meters without sufficient discussion as to the advantages and disadvantages for that customer.[19] We are therefore further investigating suppliers' practices in this area.

3.13. While PPMs aid budgeting and are also a valuable alternative to disconnection for debt, they also have some drawbacks. Notably, customers using PPMs face a risk of self-disconnection. Also, paying using PPM is typically more expensive than paying by direct debit. Our estimates show that annual dual fuel bills paid using prepayment meter are on average £80 higher than bills paid using direct debit.[20] This difference in cost between the two payment methods is due to the higher cost to suppliers of serving PPM customers.

3.14. As more and more prepayment meters are fitted as an alternative to disconnecting consumers' supply we recognise that it is becoming increasingly important that we monitor the issue of self-disconnection and suppliers responses to consumers in this situation. We have been working with industry and Citizens Advice to better understand the extent of this problem, and how suppliers can best identify and monitor self-disconnection and help target support and advice at those in need. We have committed to working with Citizens Advice over the next year to agree a framework for reporting this information.

Use of blanking disks

Data Notes

We started collecting information about suppliers' use of blanking discs in July 2012.

3.15. When a supplier uses a warrant to enter a property to fit a PPM the customer may not be present. When fitting a gas PPM, suppliers need test the supply to the consumers' gas appliances for safety reasons. In situations where it is not possible to complete these safety checks suppliers may use a blanking disc to prevent gas from getting into the property's supply. This leaves the customer with a PPM but without a

[19] Standard Licence Condition 28 of the gas and electricity supply licences.
[20] https://www.ofgem.gov.uk/publications-and-updates/price-differences-between-payment-methods-%E2%80%93-open-letter

gas supply until they arrange for the supplier to attend the site to complete the checks and remove the disc.

3.16. Suppliers installed around 7,000 PPMs with blanking discs on a warrant visit in 2013. EDF, E.ON, npower and Utility Warehouse most frequently used the discs with a third of all gas PPMs installed on a warrant visit being fitted with one.

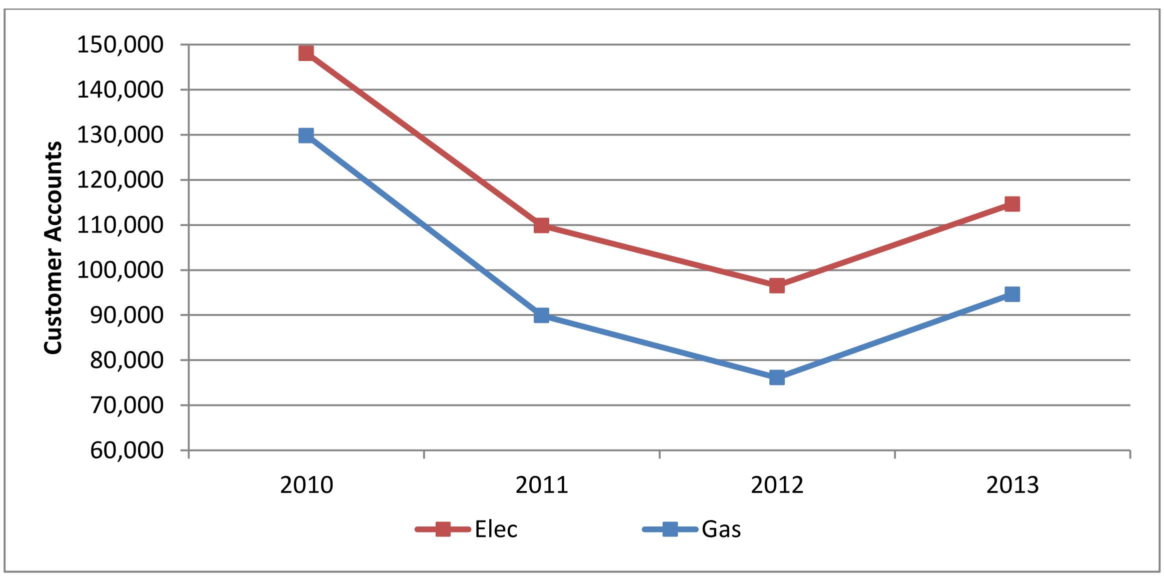
3.17. Where suppliers are unable to make contact with consumers to agree suitable arrangements to repay debt we strongly support the fitting of PPMs as an alternative to disconnection where this is a safe and practical payment method for the customer. However, we are concerned that, where the customer is not present, the fitting of a gas PPM with a blanking disk is tantamount to temporary disconnection as it leaves the customer without gas until they arrange for their supplier to remove the disc.

3.18. As blanking discs leave customers off supply we expect them to be used only as a last resort. We would not expect any customer covered by winter moratorium or Energy UK Safety Net protections from disconnection to be left with a blanking disc. We note that some suppliers have taken steps to avoid the use of blanking discs altogether during the winter months and we encourage other suppliers to adopt similar practice.

Customers switching from PPM to credit meters

3.19. Figure 13 shows the number of customers switching from PPMs to credit meters between 2010 and 2012.

Figure 13: The number of customers switching from PPMs to credit meters, 2010-2013



3.20. About 115,000 electricity and 95,000 gas PPM customers switched to credit maters in 2013. This represented around 3% of all electricity PPM customers and around 3% of all gas PPM customers. The number of customers switching from PPMs to credit meters declined during 2010-2012, but in 2013 the trend reversed, with about a fifth more electricity and gas customers switching from PPM to credit meters in 2013 compared to 2012.

3.21. In 2013, we identified problems with some suppliers refusing to allow PPM customers to switch to credit meters. For example, because a consumer failed a required credit check or was unable or unwilling to accept terms including those requiring payment of a security deposit. We are further reviewing supplier practices in this area.

Smart meters – remote switching

3.22. To switch a customer between traditional PPM and credit payment methods a supplier needs to physically replace the customer’s meter. This can act as a barrier to switching due to the inconvenience of waiting in for the meter exchange and potential financial costs. For customers costs may arise from the loss of income due to having to take time off of work and sometimes the cost of paying for a meter.

3.23. Where remote switching to prepayment mode is possible, there may no longer be an operational reason to visit the customer’s premises. The home visit currently acts as an important check for vulnerability. As part of the 2011 ‘Spring Package’, we revised our guidelines on the safe and reasonable practice of installing prepayment meters to account for smart meters. We also strengthened the information provision obligations on suppliers by requiring them to show customers how to operate the PPM. As part of the Spring Package protections, we committed to monitoring the impact of smart metering on the customer experience and supplier practices.

3.24. Details of the remote switches made are in Table 9 below. We started monitoring remote switching in quarter 3 (July-September) 2012. Therefore 2013 is the first year when we have full year of data. In 2013, there were 470 remote switches from credit meter to PPM for electricity and 332 remote switches from credit meter to PPM for gas. The majority of the switches were carried out in cases where the customer was repaying debt.

Table 9: Remote switches made in 2013

	Smart meter customers remotely switched from credit to PPM			Smart meter customers remotely switched from PPM to credit
	Repaying a debt	Not repaying a debt	Total	
Electricity	317	153	470	104
Gas	253	79	332	89

3.25. We will continue to monitor suppliers' use of remote switching in 2014. Where remote switching is being used, we will use our bilateral meetings with suppliers to identify if they are taking effective steps to satisfy themselves that it is safe and reasonably practical for the customer to change payment type. We will also keep our guidelines under consideration to ensure they remain fit-for-purpose.

4. Disconnection for non-payment of debt

Chapter Summary
Analysis of suppliers' use of disconnection for debt in 2013. This includes the number of gas and electricity disconnections for debt, a comparison of the disconnections undertaken by individual suppliers and reasons for disconnection. It compares instances of disconnection in England, Scotland and Wales.

4.1. During winter (October to March) suppliers are prohibited from knowingly disconnecting consumers of pensionable age (where they live alone, with other pensioners or with children). Suppliers must also take all reasonable steps during winter to avoid disconnecting premises where the occupants include a person who has a disability, a chronic sickness or is of pensionable age.[21]

4.2. Members of Energy UK also adhere to a voluntary code of practice known as the Safety Net. This Code on debt and disconnection is run by Energy UK. British Gas, EDF Energy, E.ON, npower, Scottish Power and SSE are signed up to the code.[22] Among other protections, this is intended to prevent disconnecting vulnerable customers at any time of year and a commitment to reconnect customers who are subsequently identified as vulnerable as a priority and usually within 24 hours. The Safety Net defines a vulnerable customer as "A customer is vulnerable if for reasons of age, health, disability or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household". Compliance with the Safety Net is independently audited.

The number of disconnections for debt

4.3. Table 10 shows the total number of electricity and gas disconnections during 2010-2013. It also shows the number of disconnections broken down by nation, for England, Scotland and Wales.

Table 10: Number of disconnections for non-payment of debt, 2011-2013

	Electricity				Gas			
	2011	2012	2013	Percentage change 2012-2013	2011	2012	2013	Percentage change 2012-2013
GB	921	453	556	23%	331	104	84	-19%
England	868	440	542	23%	282	98	79	-19%
Scotland	13	5	6	20%	15	4	4	0%
Wales	40	8	8	0%	34	2	1	-50%

[21] Pursuant to standard licence conditions 27.10 and 27.11 of the gas and electricity supply licences.
[22] http://www.energy-uk.org.uk/files/docs/Disconnection_policy/energy-uk-safety_net-17-april-2014.pdf

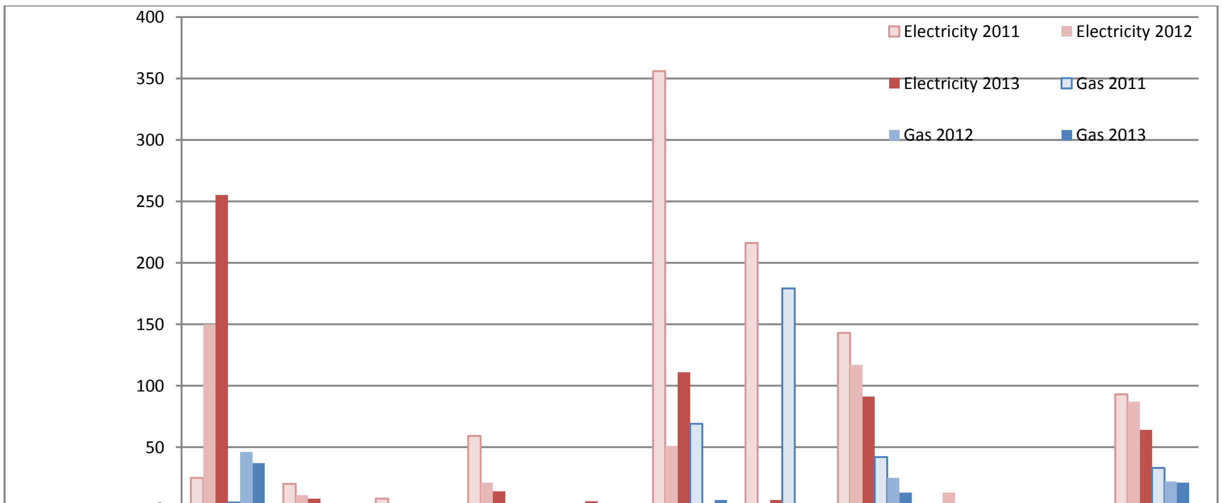
4.4. Overall suppliers carried out 556 electricity and 84 gas disconnections for debt in 2013. This was more (23%) electricity disconnections but fewer (19%) gas disconnections than took place in 2012.

4.5. The rise in disconnections was driven by a rise in England, which had most disconnections. Disconnections in Scotland and Wales in 2013 remained very low in absolute numbers, with only 19 electricity and gas disconnections in total carried out in Scotland and Wales. Percentage changes for Scotland and Wales provided in Table 10 should be treated with caution, since they refer to very small numbers.

Disconnections for debt by supplier

4.6. Electricity disconnections have risen following a period of significant decline. Figure 14 below compares the disconnections for debt carried out by suppliers between 2010 and 2013.

Figure 14: Number of disconnections for debt by supplier between 2011 and 2013



	E.ON	Ecotricity	EDF Energy	Good Energy	Green Energy	npower	Scottish and Southern	Scottish Power	Spark Energy	Utilita	Utility Warehouse
Electricity 2011	25	20	8	59	0	356	216	143	0	1	93
Electricity 2012	150	11	0	21	0	51	3	117	13	0	87
Electricity 2013	255	8	0	14	6	111	7	91	0	0	64
Gas 2011	5	0	0	0	0	69	179	42	2	1	33
Gas 2012	46	3	0	0	0	4	2	25	2	0	22
Gas 2013	37	2	1	0	0	7	1	13	2	0	21

4.7. Our analysis shows that eight suppliers disconnected consumers for debt in 2013. Of these:

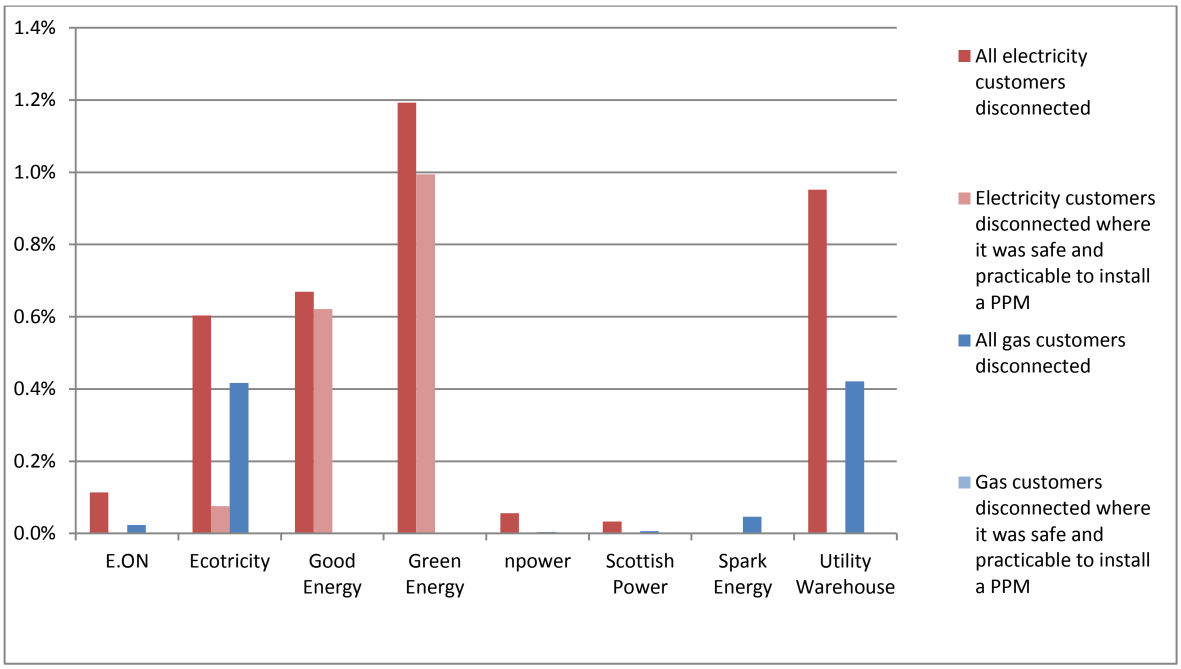
- E.ON alone accounted for just under a half of all gas and electricity disconnections.

- Together, npower and Scottish Power accounted for around 40% of electricity and 20% of all gas disconnections.
- Utility Warehouse carried out a quarter of all gas disconnections performed in 2013.
- Green Energy disconnected electricity consumers for debt for the first time.

4.8. The overall rise in the number of electricity disconnections undertaken in 2013 compared to 2012 was driven by E.ON and npower. For E.ON this was the third consecutive year of continued increases in the number of electricity disconnection.

4.9. Figure 15 shows the disconnections carried out by each supplier in 2013 as a percentage of their customer base in debt.

Figure 15: Supplier disconnections for debt in 2013 shown as a percentage of their customer base in debt



4.10. This shows that while E.ON carried out most of the disconnections in 2013, relatively to its customer base in debt, it disconnected 0.1% of its electricity and 0.02% of its gas customers in debt. A number of smaller suppliers disconnected proportionately more of their indebted customers.

Reasons suppliers disconnected consumers for debt in 2013

4.11. Suppliers must seek out alternative solutions to disconnection and use disconnection only as a last resort. One common alternative to disconnection if a supplier has been unable to agree a repayment arrangement with a customer is fitting a PPM. However, there are instances where a supplier is having difficulty recovering a debt but cannot install a PPM for safety or practical reasons.[23]

4.12. We asked suppliers to tell us why each disconnection was carried out to understand why they ultimately disconnected consumers for debt in 2013. We found that the vast majority of disconnections for debt that took place in 2013 went ahead as a last resort in situations where it would not have been safe and practical for the supplier to install a PPM. Suppliers explained to us that a number of reasons were behind disconnections:

- unsuitable location (eg, no or limited customer access to PPM, or location being too high off the ground)
- unsuitable infrastructure (space limitations, presence of adjacent wiring/pipes)
- health and safety reasons (unsafe wiring).

4.13. Three suppliers reported that they carried out disconnections where it was safe and practical to install a PPM, including

- landlord refusing permission to install PPM (Green Energy),
- meter operator not having PPM with them (Ecotricity),
- customer refusing PPM being installed (Green Energy).
- Good Energy only considered installing a PPM in cases where they found evidence of financial vulnerability, rather than also considering other factors. It has since changed its policy.

4.14. Suppliers must not disconnect domestic customers for non-payment of debt unless they have taken all reasonable steps to recover debt using alternative repayment methods. We will continue monitoring future disconnections and will take action where we find evidence that consumer detriment has occurred.

Next steps

4.15. We found the additional information we requested on reasons for disconnections in 2013 useful. We therefore intend to ask for this information again for 2014. In providing this information we will require suppliers to tell us why neither PPM nor Fuel Direct was an option for the customer. This will allow us to consider how we can work with stakeholders to reduce the instances of disconnection further.

4.16. In last year’s report we asked that all suppliers adopt industry good practice in their disconnection policies. In particular:

[23] See Chapter 6 of our June 2010 document ‘Review of suppliers' approaches to debt management and prevention’. https://www.ofgem.gov.uk/ofgem-publications/57397/debt-review-report.pdf

- We asked smaller suppliers to adopt the commitments in the Energy UK Safety Net not to disconnect customers in vulnerable positions at any time of the year.[24]
- We asked all suppliers to avoid leaving any customer without means to heat their homes or prepare hot food over the winter months.

We will require suppliers that have not adopted this good practice as standard to defend their position at bilateral meetings in 2015.

Smart meters and disconnections for debt

4.17. The new functionality of smart meters enables suppliers to remotely disconnect consumers. Smart meters also support load limiting and credit limiting, although the Licence Conditions place restrictions on use of these.[25] In quarter 3 2012 (July – September 2012) we introduced new reporting requirements to allow us to monitor their use.

Remote disconnection

4.18. At present, when suppliers want to disconnect a property for unpaid charges they need to carry out a site visit to physically disconnect supply. With smart metering, site visits will no longer be needed as suppliers are able to disconnect customers remotely.

4.19. While the site visit at the time of disconnection is only one of a series of checks that suppliers carry out, it remains an important opportunity to identify signs of vulnerability. Suppliers remain obliged to take all reasonable steps to ascertain the status of a customer and the occupants of any affected domestic premises before considering whether or not to disconnect the premises.

4.20. Suppliers reported that they did not carry out any remote disconnections during January-December 2013. As the numbers of smart meters increase, we will continue to monitor suppliers' activity in that area and ensure that our guidelines remain fit-for-purpose.

Load limiting and credit limiting

4.21. Load limiting (also known as trickle disconnection) is where the flow or amount of electricity supplied to a customer is restricted.

4.22. Credit limiting (also known as 'managed credit') is where customers are automatically cut off (or could switch to prepayment) if they owe more than a pre-determined amount.

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[24] http://www.energy-uk.org.uk/publication.html?task=file.download&id=3155
[25] SLC 27.9A of the standard electricity and gas supply licences.

4.23. No supplier reported using load limiting or credit limiting functionality in 2013. We will continue to track developments in this area and we will consider whether further protections may be needed in the light of future developments. We are keen to ensure that the use of load limiting and credit limiting functionality does not expose consumers to disconnection ‘by the back door’. As noted above, as part of the Spring Package we introduced supply licence modifications defining load limiting and credit limiting and the circumstances where they would be considered as being tantamount to disconnection (and therefore subject to protections associated with disconnection).[26]

4.24. We expect suppliers to continue to meet the commitment they made as part of the Spring Package to seek input on proposals from both Ofgem and Citizens Advice prior to utilising any load limiting functionality. We expect this commitment to apply where suppliers are planning to utilise load limiting functionality in any form in the domestic sector, including where a supplier intends to run a trial utilising load limiting functionality.[27]

[26] https://www.ofgem.gov.uk/publications-and-updates/smart-metering-spring-package-addressing-consumer-protection-issues
[27] https://www.ofgem.gov.uk/ofgem-publications/57325/ofgem-statement-17122012.pdf

5. Services for consumers in vulnerable situations

Chapter Summary

Key trends identified in relation to suppliers' use of their PSRs to identify and assist vulnerable customers as required by the licence conditions. The chapter provides the total number of customers listed on suppliers' PSRs, and shows a breakdown of the number of customers on PSRs in England, Scotland and Wales. It also looks at suppliers' provision of free gas safety checks.

Priority Services Register - Current arrangements

5.1. Gas and electricity are essential services for health and well-being. Providing extra help to people who need it to access energy markets and stay safe remain critically important. Different consumers have different needs or interests, and some consumers are significantly less able than others to protect or represent their own interests in the market. These consumers can face difficulties in accessing services and information to manage their energy supply, or need additional help when there is an interruption to their supply.

5.2. Current Priority Service arrangements require suppliers and electricity Distribution Network Operators (DNOs) but not Gas Distribution Networks (GDNs) to keep registers of disabled and chronically sick customers and customers of pensionable age. Suppliers must share information about customers on their register with GDNs and information about customers who need advance notice of interruptions with DNOs.

5.3. Energy suppliers have to provide the non-financial services specified in Table 11 to eligible customers.

Table 11: List of current PSR services

Service	Customers eligible
Password scheme – to help customers identify energy company representatives.	• Disabled • Chronically sick • Pensionable age
Free gas appliance safety check	• Disabled • Chronically sick • Pensionable age • Children under 5 Must receive means tested

Service	Customers eligible
	benefits and own their own home.
Quarterly meter readings	• Disabled • Chronically sick • Pensionable age If nobody in the household can read the meter due to infirmity
Accessible information including: bills, statements of account, other information relating to a service provided to the customer.	• Blind • Partially sighted • Deaf • Hearing impaired
Redirection of bill/statement of account to a nominated person	• Disabled • Chronically Sick • Pensionable age
Facilities to complain	• Blind • Partially sighted • Deaf • Hearing impaired

5.4. DNOs and GDNs also have similar obligations to provide services, including services for consumers who are at risk if the supply of electricity to their home is interrupted.

5.5. Suppliers must publish information about their obligations to maintain a PSR, to provide services, and how to join the list. They must make this information readily accessible on their website and tell customers about it once a year.

Number of customers on Priority Service Registers

5.6. Table 12 below shows the total number of customers on suppliers' PSRs in Great Britain at the end of 2013 compared to 2012. The table also shows this information broken down for England, Scotland and Wales.

Table 12: Number of customers on a PSR (millions) and the percentage of customers on a PSR

	Electricity			Gas		
	2012	**2013**	**Percentage change**	**2012**	**2013**	**Percentage change**
GB	2.38	2.66	12%	1.88	2.07	10%
	9%	*10%*		*8%*	*9%*	
England	2.04	2.28	12%	1.64	1.81	10%
	9%	*10%*		*9%*	*9%*	
Scotland	0.20	0.23	12%	0.14	0.15	11%
	8%	*9%*		*7%*	*8%*	
Wales	0.13	0.15	11%	0.11	0.12	9%
	9%	*10%*		*10%*	*10%*	

5.7. In 2013, the overall the percentage of consumers on suppliers' PSRs was at 10% of electricity consumers and at 9% of gas consumers. This is one percentage point more for electricity and gas than in 2012.

5.8. We are concerned that the proportion of customers on PSR in Scotland remains below GB average. The proportion of consumers in Wales who were on their suppliers' PSR was the same as elsewhere in GB.

Provision of priority services

5.9. A customer may be registered on a supplier's PSR but not registered to receive any services from their supplier. While they may be on the list because of the security it provides if their supply is interrupted, we remain concerned that eligible customers' take up of priority services provided by suppliers remains low.

5.10. Using the generous assumption that each instance of a PSR service being provided can be associated with a different customer[28], in 2013 only 21% of electricity consumers registered on suppliers PSRs and 26% of gas consumers registered on suppliers PSRs benefited from a service.

5.11. Using the assumption outlined above we found that the number of services provided varies significantly between suppliers. In 2013:

- only 7% of EON's electricity PSR customers and 8% of SSE's electricity PSR customers received a service

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[28] In reality we would expect that a number of PSR customers will receive more than one service from their supplier resulting in this calculation over estimating the percentage of PSR consumers receiving a service.

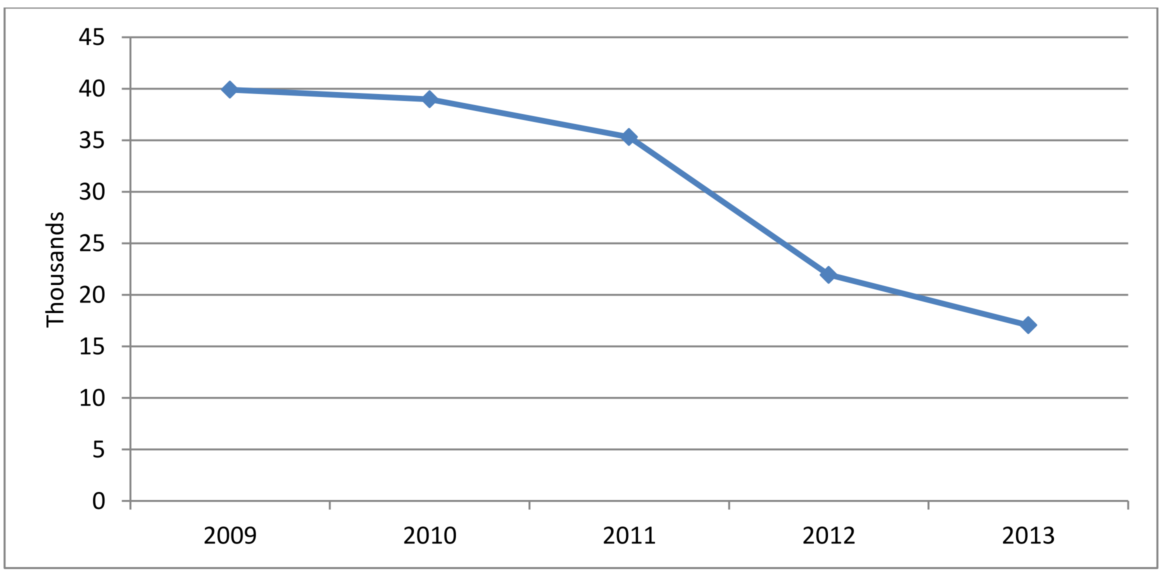
- 46% of npower's electricity PSR customers and 32% of British Gas's electricity PSR customers received a service.
- 21% of Scottish Power and 27% of EDF electricity PSR customers received a service.

5.12. We observed a similar trend in the provision of services to gas PSR customers. We are keen to understand if this is because the consumers on suppliers' PSRs do not need assistance or because they are not aware of the services available.

Free gas safety checks

5.13. In recent years we have been particularly concerned at the decline in the number of free gas safety checks carried out by suppliers. Figure 16 shows the number of free gas safety checks carried out in Great Britain between 2009 and 2013.

Figure 16: Number of free gas safety checks carried out in GB, 2009-2013



5.14. In 2013, around 17,000 free gas safety checks were carried out in Great Britain, compared to around 40,000 free gas safety checks carried out in 2009. This represents a decline of 57%. We will work with suppliers to identify the reasons behind this trend. No supplier reported that they refused to provide a check.

Review of the Priority Services Register

5.15. Our research suggests that consumers support the idea of additional services for those who need them. But the current PSR and services it provides need a clearer objective and should be better targeted. They also need to reflect advances in technology such as the roll-out of smart metering. In light of this, in June-September 2014 we carried out Review of Priority Services consultation.[29] The consultation sought views on a number of proposals aiming to ensure that consumer protection in this area remains effective. While not strictly a PSR service, we have included suppliers' provision of free gas safety checks within the scope of our review due to the concerns outlined earlier in this chapter.

5.16. Our proposals aim to ensure equal outcomes for consumers. By this we mean that consumers should not be disadvantaged or receive a worse service because of their situation. They will improve peace of mind for customers who may need additional support to stay safe, particularly when their supply is interrupted. The proposals include requirements on suppliers, DNOs and GDNs to:

- provide additional non-financial services to energy consumers who are more likely than a typical consumer to experience problems in communication, safety and supply
- identify people who would benefit from these services
- improve information about why a consumer is on the register
- share consumer information with each other and, potentially in longer-term water companies, using vulnerability indicators agreed between them
- raise awareness of services, including developing a single cross-industry brand
- independently audit their performance and publish findings yearly.

5.17. We are also proposing to improve the monitoring and reporting requirements around the PSR. Further information on our review and the detail of our proposals can be found in our Review of the Priority Services Register consultation which closed on 22 September 2014.[30]

Switching for indebted PPM customers – the Debt Assignment Protocol (DAP)

5.18. To ensure well-functioning energy markets and maximum benefits for consumers, it is important that consumers are easily able to switch supplier and payment method. Access to lower cost tariffs is particularly important for customers who are struggling to afford their bills and have debt. The Debt Assignment Protocol (DAP) allows some PPM customers who are in debt switch their energy supplier.[31]

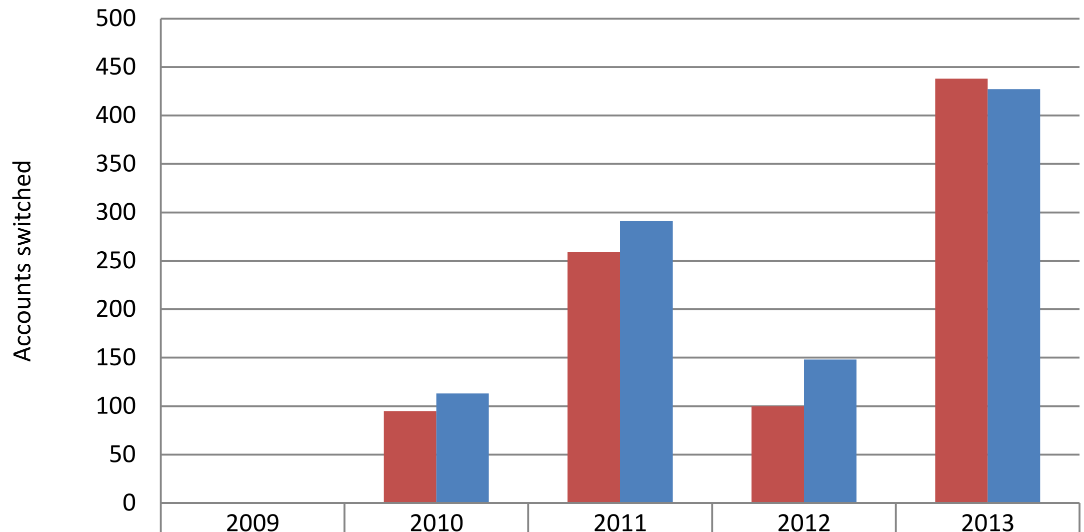
5.19. Whether an indebted PPM customer has the right to switch depends on the level of debt associated with their gas and/or electricity account. From 1 November 2012, the big six energy suppliers agreed to voluntarily increase the monetary

[29] https://www.ofgem.gov.uk/publications-and-updates/review-priority-services-consultation
[30] https://www.ofgem.gov.uk/publications-and-updates/review-priority-services-consultation
[31] Electricity Supply Standard Licence Condition 14.6 and Gas Supplier Standard Licence Condition 14.6.

threshold at which indebted PPM customers can switch from £200 to £500.[32] Small suppliers adopted this increased threshold from 1 April 2013.

5.20. Figure 17 shows the number of PPM consumers with a debt who have changed supplier.[33]

Figure 17: Number of gas and electricity accounts switched to another supplier using the Debt Assignment Protocol, 2009-2013



	2009	2010	2011	2012	2013
Electricity	1	95	259	100	438
Gas	0	113	291	148	427

5.21. Suppliers have reported that consumers attempted to switch approximately 71,000 electricity PPM accounts with a debt and 75,000 gas PPM accounts with a debt in 2013. However, only 438 electricity accounts and 427 gas accounts were successfully switched through the DAP. This amounts to less than 1% of customers who attempted to switch using the DAP. While the number of PPM customers with debt who switched using the DAP in 2013 increased compared to 2012, it remained very small.

5.22. In response to our concerns about low levels of consumer switching under the DAP process, in 2014 we reviewed the DAP and identified significant process failings.

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[32] http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=252&refer=Sustainability/SocAction/Publications

[33] Total number based on confirmations of the amount of debt to be assigned received during the reporting period (records sent via the following industry flows – 'Schedule 9 Supply Point Administration Agreement' D/G0309 flows in gas and 'MRASCO procedure for the Assignment of debt in relation to prepayment meters' D0309s flows in electricity).

We published an open letter detailing our findings in September 2014[34], including setting out the changes we expected supplier to make to improve the DAP and make switching easier. Some of the proposed changes include:

- suppliers simplifying information provision requirements so that switches are not unnecessarily stopped partway through the process
- modifying the supply licence to increase the monetary threshold at which customers are allowed to switch from £200 to £500
- adjusting the DAP Social Obligations Reporting requirements to help track the impact of process changes.[35]

5.23. In our open letter, we set out our expectation that suppliers would simplify information provision requirements by the end of April 2015. We also said that we would issue a consultation on changing the supply licence and the DAP Social Obligations Reporting requirements by the end of this year.

5.24. The findings of our DAP review will feed into our wider work on speeding up and improving the switching process for customers, including our assessment of the transfer objections process.

[34] https://www.ofgem.gov.uk/ofgem-publications/90376/openletter.pdf
[35] https://www.ofgem.gov.uk/ofgem-publications/90376/openletter.pdf

Appendices

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Appendix 1 - Glossary

A

Arrears

As defined at paragraph 2.21 of our Guidance on monitoring suppliers' performance in relation to domestic customers, published March 2012. 'Arrears' are defined as any customer who has had a bill issued which remains outstanding for longer than 91 days/13 weeks and who has not yet set up a debt repayment arrangement. This will only include customers who are billed in arrears for ongoing consumption. It will exclude customers on payment methods that involved some method of regular payment, such as Direct Debit (see paragraph 2.9), PPM or Fuel Direct customers. It should exclude customers who have begun the transition to a formal debt repayment arrangement, but have not yet started repaying their debt.

B

Big Six

The big six suppliers are British Gas, EDF, E.ON, npower, Scottish Power and SSE.

D

Debt repayment arrangement

As defined at paragraph 2.14 of our Guidance on monitoring suppliers' performance in relation to domestic customers, published March 2012. 'Debt repayment arrangement' is defined as a specific formal arrangement between a supplier and a customer to repay outstanding arrears. Suppliers should include such customers who repay monthly, fortnightly, weekly or at any other regular interval and who repay via cash, cheque, payment card or Fuel Direct. Direct debit customers should only be included where they have joined the scheme specifically to repay a debt or where they have fallen into debt while on direct debit by defaulting on one or more payments. All other direct debit customers should be excluded, including those customers with a debit at the end of a payment scheme that will be rolled into a new payment scheme and those who have had their payments increased because previous payments were set to low. All customers on payment schemes (including direct debit) should be excluded once the initial (take-on) debt has been repaid.

E

Energy Best Deal (EBD)

Ofgem and Citizens Advice customer awareness campaign.

Energy UK

Energy UK is a trade association which represents the six main electricity and gas suppliers in the domestic and micro business markets in Great Britain (GB).

F

Failed arrangement

Failed arrangement refers to a failure to make an agreed payment amount under the debt repayment arrangement without the prior agreement of the supplier, where full payment has not been cleared (ie received by the supplier) within 10 working days after the agreed payment date, regardless of payment method. This includes part payment. It excludes those cases where a customer has actively terminated the arrangement, for example by instructing the supplier or payment provider to cancel the debt agreement or instruction to pay, or where a customer ends the agreement paying the agreement in full. It excludes those direct debit customers who did not go on to a debt repayment arrangement but who have currently stopped paying.

Fuel Direct

Fuel Direct is a scheme administered by the Department of Work and Pensions to allow for payments to gas and electricity suppliers from sums which are deducted at source from social security benefit.

P

Prepayment meter (PPM)

A prepayment meter uses electronic tokens, keys, or cards to enable an amount of energy to be bought by the consumer to be used. The customer needs to be provide with a network of outlets where tokens can be purchased, or cards and keys can be charged up. This network of outlets needs to be linked to a payment settlement system for suppliers.

Priority Services Register (PSR)

The standard licence conditions of the gas and electricity supply licences require suppliers to establish a list (the Priority Services Register) of domestic customers that are of pensionable age, disabled or chronically sick. Eligible customers can ask to be added to their supplier’s list. These customers are then eligible for certain free services specified in the supply licences.

S

‘Safety Net’

Six largest suppliers have signed up to the Energy UK ‘Safety Net for Vulnerable Customers’. This includes pledging to never knowingly disconnect a vulnerable customer at any time of year, where for reasons of age, health, disability, or severe financial insecurity, that customer is unable to safeguard their personal welfare or the personal welfare of other members of the household.

Social Obligations Reporting (SOR)

The Social Obligations Reporting is used to monitor supplier activity and practices in the areas of debt and disconnection and assistance for vulnerable customers.

Supply Licence Conditions (SLCs)

The legally binding conditions that gas and electricity suppliers must meet to supply to domestic and non-domestic customers, in accordance with the Gas Act (1986) and Electricity Act (1989).

T

Tariff

The charges for supply of electricity/gas combined with all other terms and conditions that apply, or are in any way linked, to a particular type of contract for the supply of electricity/gas to a domestic customer.

V

Vulnerability

We launched our Customer Vulnerability Strategy in July 2013. Our definition of vulnerability is when a customer's personal circumstances and characteristics combine with aspects of the market to create situations where he or she is

- significantly less able than a typical customer to protect or represent his or her interests in the energy market and/or
- significantly more likely than a typical customer to suffer detriment, or that detriment is likely to be more substantial

Warm Home Discount (WHD)

The Warm Home Discount scheme mandates domestic energy suppliers to provide approximately £1.13 billion of direct and indirect support arrangements to fuel poor customers over four years from April 2011.