Making a positive difference for energy consumers

Domestic Suppliers' Social Obligations: 2014 annual report

Report

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Overview:

The report summarises domestic suppliers' performance in 2014 on debt, disconnection, prepayment meters (PPMs) and services for consumers in vulnerable situations.

This Social Obligations data is an important tool for Ofgem, suppliers, consumer organisations, government and other stakeholders concerned with consumer protection. We use this data to inform our work protecting the interests of energy consumers, especially those in vulnerable situations, as set out in our Consumer Vulnerability Strategy (CVS). We do this by monitoring supplier practices, identifying good practice and areas for improvement, evaluating the effectiveness of our policies, and ensuring compliance with our rules.

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 and we have a programme of work focused on consumers in vulnerable situations. A vulnerable customer is defined as one who is significantly less able than the typical consumer to protect or represent their own interests, or significantly more likely to experience detriment, or for that detriment to be more substantial.

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.

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.

Suppliers are obliged to provide us with data on payment methods, debt, disconnection, and Priority Services Registers (PSRs). 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 our 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 in Great Britain for January – December 2014.

The report covers suppliers' obligations under their supply licence conditions relating to their dealings with domestic customers. It does not cover suppliers' activities relating to the government's mandatory Warm Home Discount (WHD) scheme.

The WHD requires domestic energy suppliers to provide support to fuel poor customers. Our report to the Secretary of State on the scheme's implementation and delivery between April 2013 and March 2014 can be found here: https://www.ofgem.gov.uk/ofgem-publications/91036/whdannualreportsy3-pdf.

Associated documents

Domestic suppliers' Social Obligations: 2013 annual report – published November 2014
https://www.ofgem.gov.uk/publications-and-updates/domestic-suppliers-social-obligations-2013-annual-report

Guidance on monitoring suppliers' performance in relation to domestic customers – updated May 2015
https://www.ofgem.gov.uk/publications-and-updates/directions-issued-gas-and-electricity-markets-authority-pursuant-paragraph-3-standard-licence-condition-32-reporting-performance-electricity-supply-licence-and-gas-supply-licence

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

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

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

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Executive Summary

Debt and disconnection

Although the number of customer accounts in debt declined in 2014 compared to 2013, average levels of energy debt increased. It is therefore important that suppliers do all they can to treat customers in financial difficulties fairly, and to help customers manage their energy debt and avoid disconnection. This is especially true of customers who have additional vulnerabilities.

- **Fewer consumers were in debt at the end of 2014 (5% of domestic electricity and gas accounts)** than at the end of 2013 (when 6% of domestic electricity and gas accounts were in debt). This amounted to around 1.4 million electricity accounts and 1.2 million gas accounts.
- The **decline in the number of customers repaying debt in 2014** compared to 2013 was observed in all nations, with Scotland seeing the largest decline.
- **Consumer electricity and gas debt in 2014 was reported to be higher than that seen in 2013.** At the end of 2014, consumers who agreed to repay their debt still owed an average of £355 for electricity accounts and £382 for gas accounts (snapshot debt). This is 16% and 18% higher respectively than at the end of 2013[1].
- **Customers were using a variety of payment methods to repay their debt. Methods included direct debit, PPMs, budget payment schemes, and Fuel Direct**. In 2014, PPMs accounted for around 17% of the new repayment arrangements agreed in that year, direct debit accounted for around 60%, budget payment schemes accounted for around 13%, and others accounted for around 8%[2].
- **The average repayment amounts declined very slightly compared to 2013**, generally remaining close to those in 2013. The repayment rates were in the range of £5.90-£6.60 per week, depending on fuel and payment method.
- **The average repayment periods in 2014 were slightly longer for credit repayment methods for both fuels, and for PPM repayment arrangements for gas,** compared to 2013. Repayment periods for PPM repayment arrangements for electricity declined slightly.
- **Customers of some smaller suppliers were more likely to be repaying more debt and have higher weekly repayment rates than customers of the six largest suppliers.** While the gap in average debt taken on by customers of smaller and larger suppliers narrowed in 2014 compared to 2013, it happened not only because the smaller suppliers' customers' debt declined, but also because the larger suppliers' customers' debt increased.
- **The number of electricity and gas disconnections for debt declined significantly in 2014.** There were 192 electricity disconnections for debt carried

[1] The increase in the level of debt was likely due to a combination of changes in the way some suppliers report debt metrics and a change in back billing activity by one supplier.
[2] Other payment methods include monthly standing order, monthly payment schemes (cash or cheque), and quarterly variable direct debit.

out in 2014. This is 65% less than in 2013, when 556 electricity disconnections were carried out. There were 41 gas disconnections for debt carried out in 2014, and this is 51% less than in 2013, when 84 gas disconnections were carried out.

- **Energy consumers in England and Scotland were slightly more likely to be in debt than those in Wales.** In 2014, the number of customers repaying debt declined in all nations, with Scotland seeing the steepest decline[3]. However, the number of accounts in arrears increased in Scotland, while it declined or remained static in other nations.

Our action on debt and disconnection

We continue to act in the area of debt and we are planning a review of supplier debt communications. Our focus at the moment is on putting in place protections for smart meter customers. Smart meters are expected to deliver a number of benefits to consumers, including better control and more efficient energy use, improved budgeting, and faster switching. Our Consumer Protection and Empowerment work aims to realise several key benefits. For example, we want suppliers to focus on the accuracy of bills, and we are looking to limit the period for which a consumer can be back-billed. We also want suppliers to make helpful smart prepayment functionalities, such as low credit or high consumption alerts, available to consumers. These can help consumers to better understand their energy use and manage their budget, and to prevent disconnection.

Prepayment meters

- **An estimated 17% of all electricity accounts and 15% of all gas accounts in 2014 in Great Britain were paid using PPMs[4].**

- **The number of customers on PPMs continued to increase in 2014.** There were 4.5 million electricity PPM accounts and 3.4 million gas PPM accounts at the end of 2014, respectively 2% and 4% more than there were at the end of 2013.

- **In 2014, around 300,000 new electricity PPMs and around 320,000 new gas PPMs were installed.** This is 1% less new electricity PPMs than were installed in 2013, and 9% more new gas PPMs than were installed in 2013.

[3] The decline appears to be driven by a single large supplier.
[4] The 15% figure used in our "Prepayment review: understanding supplier charging practices and barriers to switching" report refers to March 2015 and is based on information provided by domestic suppliers on the number of customer accounts held by payment type in each month between January 2012 and March 2015 (https://www.ofgem.gov.uk/publications-and-updates/prepayment-review-understanding-supplier-charging-practices-and-barriers-switching). This information was provided independently from the Social Obligations Reporting.

- **Approximately 60% of the newly-installed prepayment meters (around 175,000 electricity PPMs and around 195,000 gas PPMs) were installed to manage debt,** while the remaining new prepayment meters were installed for reasons other than debt.

- **About 130,000 electricity PPM customers (3%) and 103,000 gas PPM customers (3%) switched to credit meters in 2014.** This is 13% more and 9% more respectively than in 2013.

Our action on prepayment meters

Switching for indebted PPM customers

The Debt Assignment Protocol (DAP) is a process set out in industry codes that allows some PPM customers who are in debt to switch their energy supplier. In response to our concerns about low levels of consumer switching under the DAP process, we reviewed the DAP in 2014 and found some major process failings. In May 2015 we decided to formally increase the debt threshold at which suppliers must allow indebted PPM customers to switch from £200 per fuel to £500 per fuel[5]. This change took place on 8 July 2015. We have also modified Social Obligations Reporting arrangements to bring them in line with the modified licence condition. Suppliers started to report under revised DAP arrangements from quarter 2 (April-June) 2015. Our work on the DAP review contributes to the wider work we are doing to speed up and improve the switching process for customers.

Charges and choice

In 2013, we identified problems with some suppliers refusing to allow PPM customers to switch to credit meters, with customers unable to benefit from any associated cheaper tariffs. 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. In response to this and wider evidence and concerns, we investigated supplier practices in three main areas: PPM installation and removal charges, PPM tariff choice and use of security deposits.

In June 2015 we published our prepayment review report[6] outlining the key findings and proposed next steps. These include: a consultation on ending installation and removal charges; either strengthening protections around security deposits and/or ending their use in some or all cases; looking into the appropriateness of charges and security deposits charged/requested by some suppliers; exploring technical barriers to offering more prepayment tariffs, and working to ensure that smart

[5] https://www.ofgem.gov.uk/publications-and-updates/decision-make-modifications-gas-and-electricity-supply-licences-reform-switching-process-indebted-prepayment-meter-customers-debt-assignment-protocol
[6] https://www.ofgem.gov.uk/publications-and-updates/prepayment-review-understanding-supplier-charging-practices-and-barriers-switching

meters bring benefits to PPM customers. We plan to issue the consultation in autumn this year.

Self-disconnection

As more consumers use PPMs to repay debt, there is a growing risk that more may self-disconnect. In November 2014 we hosted a workshop jointly with Citizens Advice and its Extra Help Unit[7]. This was to better understand the causes of self-disconnection, to improve monitoring and to discuss how to prevent self-disconnection, and to target help and support to those in need. The discussion included traditional and smart meters. We expect smart metering to address many of the causes of self-disconnection caused in error, and to help minimise time off-supply when disconnection occurs. This can be done, for example, through providing remote top-up options, low credit warnings and non-disconnection periods.

Citizens Advice monitors self-disconnection and works with suppliers to ensure that vulnerable consumers are able to access energy. Following on from our workshop, this winter Citizens Advice plans to publish examples of good practice by suppliers when a prepayment meter user self-disconnected. This will include examples of immediate help, as well as any long-term support or programmes helping consumers to avoid self-disconnection.

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 feel safe.

- At the end of 2014, **11% of electricity accounts and 10% of all gas accounts were on suppliers' PSRs.**

- The number of **free gas safety checks** provided by suppliers declined from around 40,000 in 2009 to around 28,000 in 2014, a decline of 30%.

Our action on services for consumers in vulnerable situations

Review of Priority Services Register

In July-September 2014 we reviewed the Priority Services Register[8]. We proposed replacing the current PSR licence requirements with ones that are more clearly focused on improving the experience of customers with additional safety,

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[7] Citizens Advice's Extra Help unit handles complaints if a consumer cannot pursue their complaint with their supplier because of: the urgency of their situation eg debt collection action or unmanageable payment arrangement; their personal circumstances mean the consumer is unable to deal with the matter themselves; the complexity of the problem, which makes it difficult for the consumer to deal directly with their supplier and requires expert help to resolve their problem.
[8] https://www.ofgem.gov.uk/publications-and-updates/review-priority-services-consultation

communication and access needs. In March 2015 we published an update and next steps on the PSR review[9]. Key to our approach is for energy companies to identify and record customers who need additional services, ensuring that any customer who needs a service will receive it for free. We proposed to retain a core 'high-risk' priority group for services related to being off-supply to give customers peace of mind. Services will be better tailored and targeted to provide better overall support and energy companies will be expected to share vulnerable customer's data between them with appropriate consent and safeguarding. We will publish our final proposals at the end of the year with implementation expected from spring 2016.

Consumer Vulnerability Strategy

We updated our Consumer Vulnerability Strategy in autumn 2014 and plan to publish a progress report in autumn 2015.

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

1. Introduction

Chapter Summary

This chapter explains why we collect Social Obligations data, what is included in the data, and the ways we use it in our work. The chapter also reminds readers about the changes to the Social Obligations Reporting we made in July 2012, as well as describes the issues related to the 2014 data.

Overview of Social Obligations and monitoring

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

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[10]. 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.

This reporting helps 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.

We use the reporting to monitor trends over time, to evaluate the effectiveness of our policies and to identify good 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.

Social Obligations Reporting includes information about:

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

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

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 on debt and disconnection. We do this jointly with Citizens Advice.

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

This report contains analysis of some key metrics of suppliers' Social Obligations Reporting in 2014. Readers may also access the metrics in data tables on our website[11].

Data throughout this report is reported by suppliers as required by our Social Obligations Reporting Guidance[12]. Unless otherwise stated, data relates to Great Britain. Notes at the start of each section provide information about the data. Definitions of words in italics can be found in the glossary in Appendix 1 of this report.

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.

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[13]. 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.

[11] https://www.ofgem.gov.uk/about-us/how-we-work/working-consumers/supplier-performance-social-obligations
[12] https://www.ofgem.gov.uk/publications-and-updates/directions-issued-gas-and-electricity-markets-authority-pursuant-paragraph-3-standard-licence-condition-32-reporting-performance-electricity-supply-licence-and-gas-supply-licence
[13] 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

In 2014 reporting period, Scottish Power was unable to report on several metrics in Quarters 2-4 2014 because it moved to a new SAP billing system. Affected metrics include those related to PPMs installed for debt.

The data in this report is based on the latest figures provided by suppliers. The analysis is based on the data reported at 25 August 2015.

2. Domestic energy debt

Chapter Summary

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

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 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).

When agreeing repayment arrangements (ie how much the customer will repay and when), suppliers must take into account each individual customer's ability to pay. The key principles we expect suppliers to follow when doing this are in the box below. Further information can be found in our document 'Review of suppliers' approaches to debt management and prevention'[14].

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.

Suppliers must adhere to these principles by understanding each individual customer's situation and ensuring that repayment arrangements are manageable, even if this involves them repaying the debt over a longer period.

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

We expect that where instalments are paid via a PPM, suppliers should consider customers' ability to pay in relation to all charges to be recovered through that meter (including, for example, installation and warrant-related changes)[15,16].

Suppliers must monitor arrangements after they have been set up to ensure that they remain fit for purpose.

Number of customer accounts with a customer 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.

At the end of 2014, approximately 1.4 million domestic electricity accounts (5%) and 1.2 million domestic gas accounts (5%) were in debt to their energy supplier.

Table 1 below shows that, at the end of 2014:

- A slightly higher proportion of gas accounts (5.3%) than electricity accounts in Great Britain were in debt (5.1%)
- Around 60% of the accounts in debt in Great Britain were repaying debt, and around 40% of the accounts in debt were in arrears (have not agreed a repayment arrangement)
- Energy accounts England and Scotland were slightly more likely to be in debt than those in Wales.

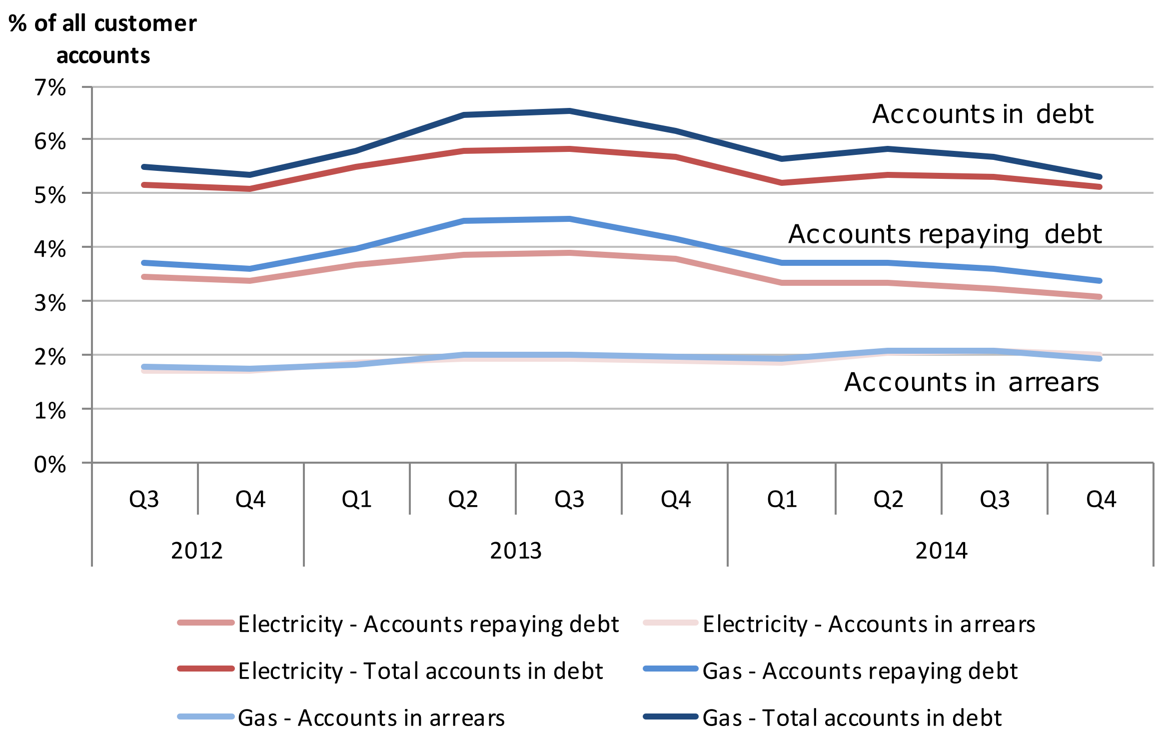
Figure 1 shows that fewer customers were in debt at the end of 2014 (5% of domestic electricity and gas accounts) than at the end of 2013 (when approximately 6% of domestic electricity and gas accounts were in debt).

[15] Standard licence condition 27.8(b) of the gas and electricity supply licences.
[16] https://www.ofgem.gov.uk/publications-and-updates/prepayment-review-understanding-supplier-charging-practices-and-barriers-switching

Table 1: The number of domestic electricity and gas accounts in debt at the end of 2014

Country	Total accounts in debt *(% of total accounts in country)*		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)*	
	Elec	Gas	Elec	Gas	Elec	Gas
GB	1,385,803	1,197,618	840,014	759,276	545,789	438,342
	5.1%	*5.3%*	*3.1%*	*3.4%*	*2.0%*	*1.9%*
England	1,193,283	1,032,803	726,240	656,403	467,043	376,400
	5.2%	*5.3%*	*3.1%*	*3.4%*	*2.0%*	*1.9%*
Scotland	126,937	108,514	75,771	67,936	51,166	40,578
	5.0%	*5.5%*	*3.0%*	*3.4%*	*2.0%*	*2.1%*
Wales	65,583	56,301	38,003	34,937	27,580	21,364
	4.6%	*5.0%*	*2.7%*	*3.1%*	*1.9%*	*1.9%*

Figure 1: Percentage of domestic electricity and gas accounts in debt, 2012-2014



While the proportion of customers in arrears observed at the end of 2014 was similar to that observed at the end of 2013 (around 2% for both electricity and gas accounts), the proportion of customers repaying debt at the end of 2014 was slightly lower than that observed at the end of the previous year (approximately 3% for both electricity and gas accounts at the end of 2014, compared to approximately 4% for both electricity and gas accounts at the end of 2013).

One factor that is likely to have contributed to the decline in the number of customers in debt in 2014 is static energy bills (based on actual consumption). The data shows that in 2014, the increase in energy prices (3%) was outweighed by a fall in energy consumption (-10%), likely due to improvements in the energy efficiency of housing and appliances, and warmer weather. These factors contributed to fall in combined gas and electricity bills based on actual consumption by around 7% in 2014[17]. It is unclear the extent to which, if at all, the increase in the number of PPMs installed for reasons other than debt[18] impacted the decline in the number of customers in debt. We note that having a PPM can help customers budget more easily and better manage their bills, but also means customers are unable to fall behind with their payments. Instead, PPM customers in financial difficulties can self-ration or self-disconnect.

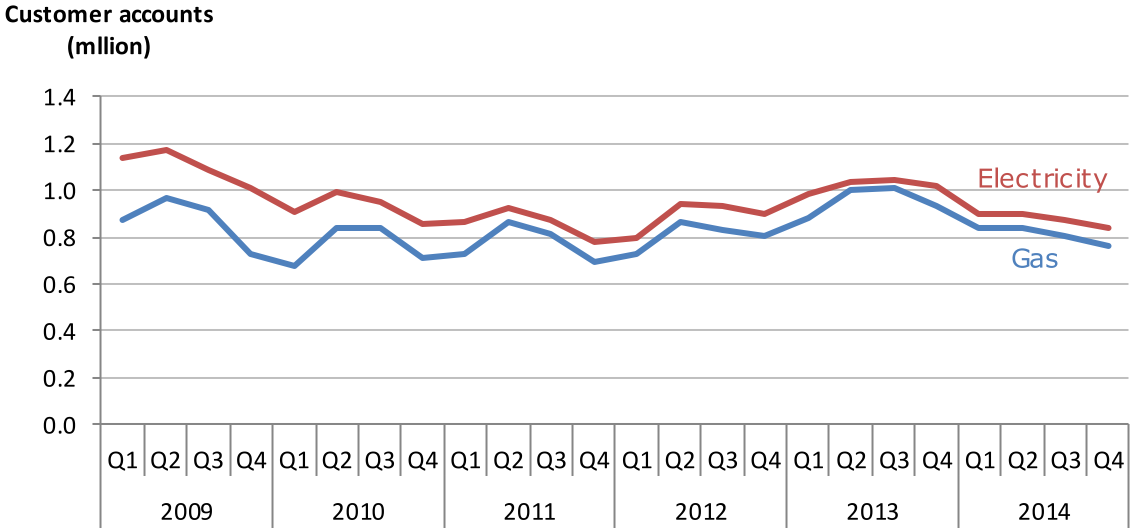
Number of accounts with a customer repaying debt

Figure 2 below shows that the upward trend in the number of accounts with a customer repaying a debt observed in 2012 and first half of 2013 reversed in the second half of 2013. Fewer accounts had a customer repaying a debt at the end of 2014 compared to the end of 2013 and 2012.

Suppliers reported that across Great Britain there were 840,014 electricity accounts and 759,276 gas accounts with customers repaying debt at the end of 2014 (Tables 2 and 3). This represents 3.1% of all electricity accounts and 3.4% of all gas accounts in GB (see Table 1 above).

[17] DECC (2014), "Domestic energy bills in 2014: The impact of variable consumption", https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/416004/Domestic_energy_bills_in_2014_-_The_impact_of_variable_consumption.pdf
[18] See Chapter 3 of this report.

Figure 2: The number of gas and electricity accounts with a customer repaying a debt, 2009-2014 (million)



At the end of 2014, the number of electricity and gas accounts in Great Britain with a customer repaying debt decreased by 17% and 19% respectively, compared to the end of 2013 (Table 2 and Table 3). The decline was observed in all nations, with Scotland seeing the steepest decline (32% for electricity and 26% for gas)[19].

Table 2: Number of electricity accounts with a customer repaying a debt at the end of the reporting period, 2009-2014

Year	GB	England	Scotland	Wales
2009	1,006,291	813,988	147,825	44,478
2010	853,556	691,528	124,261	37,767
2011	778,633	623,659	117,652	37,322
2012	900,911	738,736	115,691	46,484
2013	1,017,147	860,666	112,050	44,431
2014	840,014	726,240	75,771	38,003
% Change, 2009-2014	-17%	-11%	-49%	-15%
% Change, 2013-2014	-17%	-16%	-32%	-14%

[19] The decline appears to be driven by a single large supplier.

Table 3: Number of gas accounts with a customer repaying a debt at the end of the reporting period, 2009-2014

Year	GB	England	Scotland	Wales
2009	725,753	610,522	82,508	32,723
2010	711,492	602,743	78,111	30,638
2011	690,822	573,525	83,782	33,515
2012	802,469	677,700	86,413	38,356
2013	936,122	804,139	91,997	39,986
2014	759,276	656,403	67,936	34,937
% Change, 2009-2014	5%	8%	-18%	7%
% Change, 2013-2014	-19%	-18%	-26%	-13%

Number of accounts with a customer in arrears

Suppliers reported that there were 545,789 electricity accounts and 438,342 gas accounts with customers in arrears across Great Britain at the end of 2014 (Figure 3, Table 4, and Table 5). This represents 2.0% of all electricity accounts and 1.9% of all gas accounts in GB (see Table 1 above).

Figure 3: The number of gas and electricity accounts with a customer in arrears, 2012-2014 (million)

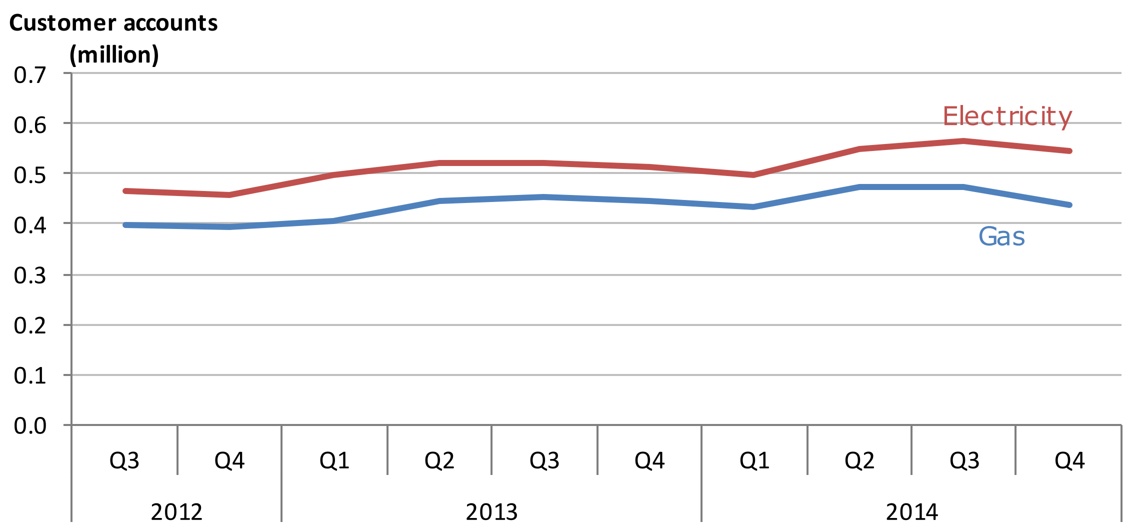


Table 4 and Table 5 show that the number of customer accounts with a customer in arrears in Great Britain increased by 6% for electricity but decreased by 2% for gas at the end of 2014, compared to the end of 2013.

There was an increase in the number of electricity accounts with a customer in arrears in 2014 in all nations across Great Britain. The largest increase was in

Scotland (25%). England and Wales saw much smaller increases (4% and 9% respectively).

The decrease in the number of gas accounts with a customer in arrears in 2014 took place in England and Wales (where it decreased by 3% and 4% respectively), but not in Scotland (where it increased by 12%).

Table 4: Number of electricity accounts with a customer in arrears on 31 December, 2012-2014

Year	GB	England	Scotland	Wales
2012	457,853	396,328	37,510	24,015
2013	513,438	446,981	41,062	25,395
2014	545,789	467,043	51,166	27,580
Change 2012-2014, %	19%	18%	36%	15%
Change 2013-2014, %	6%	4%	25%	9%

Table 5: Number of gas accounts with a customer in arrears on 31 December, 2012-2014

Year	GB	England	Scotland	Wales
2012	392,384	338,720	32,812	20,852
2013	445,163	386,551	36,311	22,301
2014	438,342	376,400	40,578	21,364
Change 2012-2014, %	12%	11%	24%	2%
Change 2013-2014, %	-2%	-3%	12%	-4%

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*.

In this section we review data on average levels of debt provided by suppliers between quarter 3 (July-September) 2012 and quarter 4 (October-December) 2014. The data is shown in Figure 4 and Figure 5 below.

Figure 4: The average level of debt associated with electricity accounts in debt reported by suppliers between quarter 3 (July-September) 2012 and Q4 (October-December) 2014

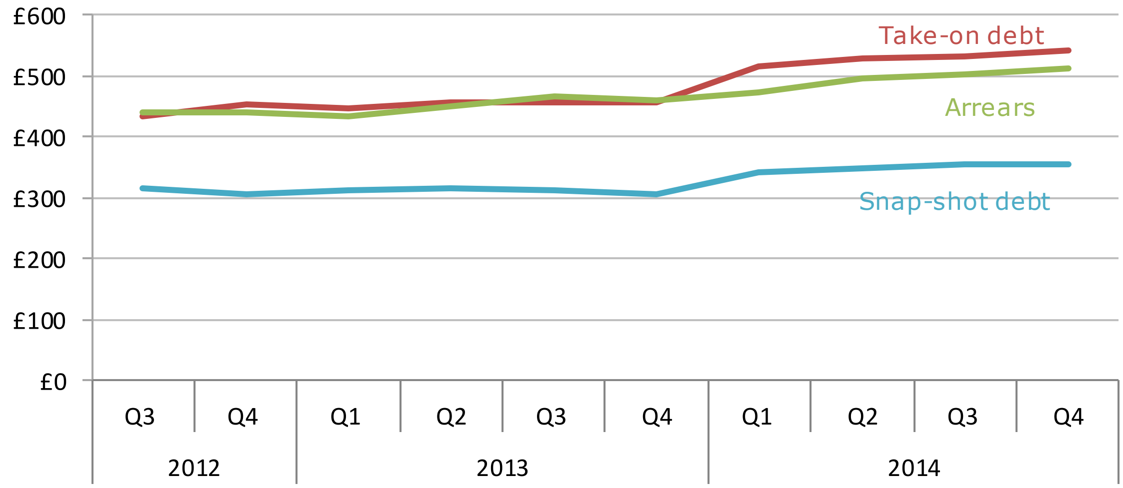
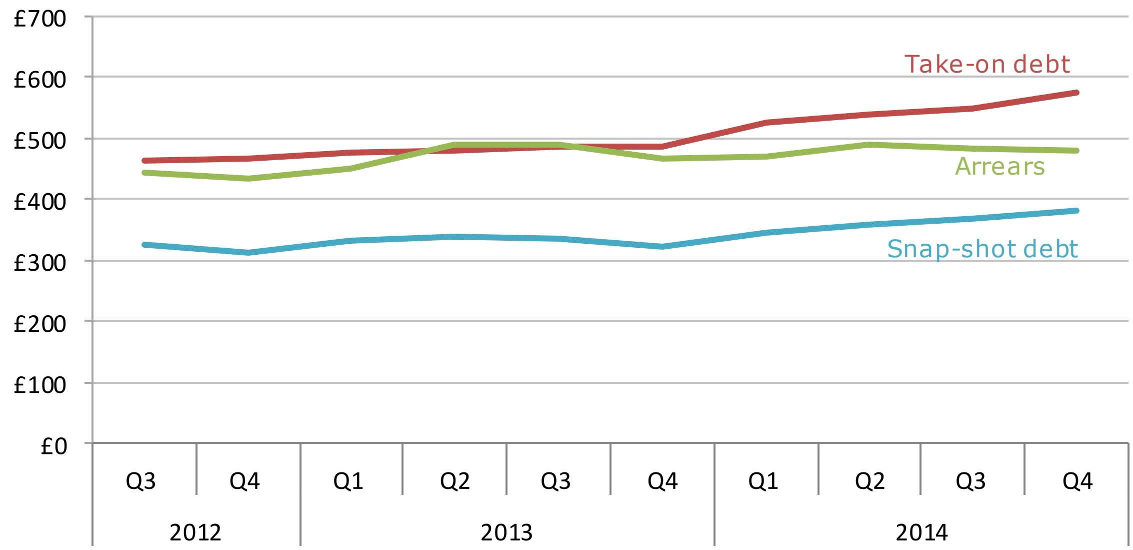


Figure 5: The average level of debt associated with gas accounts in debt reported by suppliers between quarter 3 (July-September) 2012 and Q4 (October-December) 2014



At the end of 2014, consumers who agreed a *formal repayment arrangement* remained owing an average of £355 for electricity accounts and £382 for gas accounts *(snapshot debt)*. This is 16% more than they owed for electricity (£306) and 18% more than what they owed for gas (£323) at the end of 2013.

The reported data shows that where an account was in arrears at the end of 2014 electricity accounts had an average of £512 arrears and gas accounts had an average of £481 arrears. This is 11% more than they owed for electricity (£460) and 3% more than they owed for gas (£466) compared to average arrears at the end of 2013.

The increase appears to be due to one large supplier having significantly higher average snapshot debt and average arrears compared to the rest of the industry as a result of change in back billing activity. We are concerned to see much higher levels of average debt in case of several smaller suppliers. We provide more information about the differences in average levels of debt between larger and smaller suppliers below.

We will investigate the debt collection policies of the suppliers in question this year. Additionally, we will be looking at publishing individual supplier data on average debt levels in the future editions of the SOR annual report. If we don't see significant improvements, we will consider using other actions available to us.

Differences in average debt between larger and smaller suppliers

In the 2012 and 2013 annual reports 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[20]. We were concerned that this indicated that smaller suppliers were taking longer than the six largest suppliers to agree arrangements for customers to repay their debt. This is neither in the interest of the customer nor the supplier.

The data we are collecting on take-on debt and arrears 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 Chapter 2 of this report require suppliers to proactively agree debt repayment arrangements to prevent debt building up.

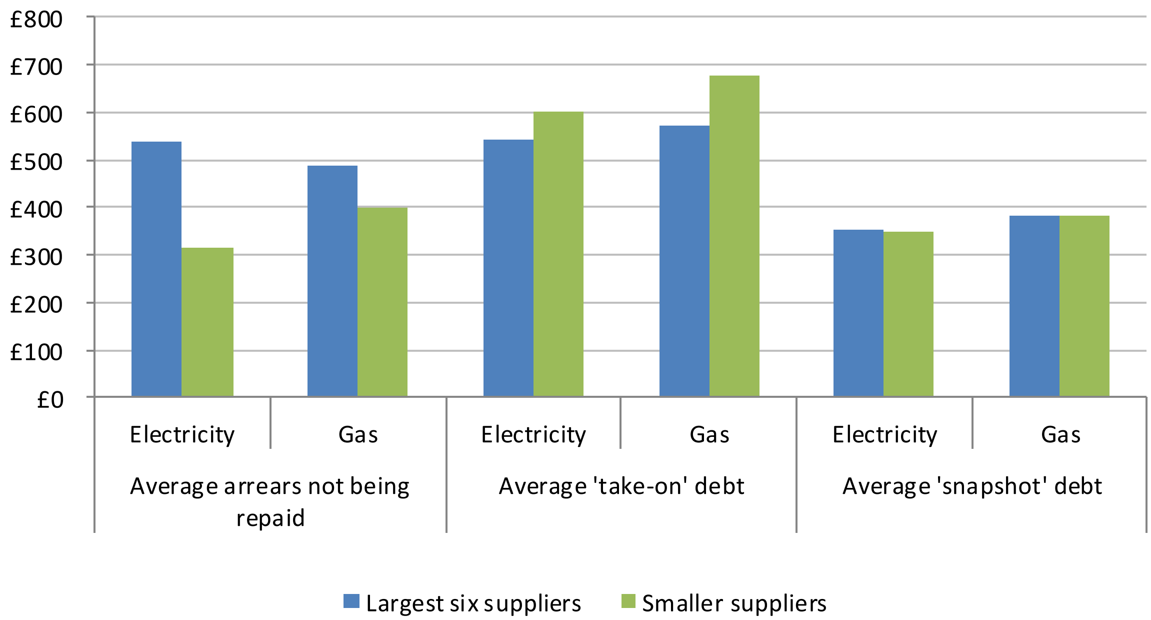
Figure 6 below shows that at the end of 2014 customers of smaller suppliers[21] had lower levels of arrears than those of the largest six suppliers. The difference in take-on debt for the customers of the largest six suppliers and those of the smaller suppliers was £63 (12%) for electricity and £104 (18%) for gas at the end of 2014. This compares to £336 (74%) for electricity and £256 (53%) at the end of 2013.

Although the gap in the take-on debt between the two groups of suppliers narrowed in 2014 compared to 2013, this was partly because of the increase in the take-on debt of customers of the largest six suppliers, rather than entirely due to a decline in take-on debt of the customers of the smaller suppliers.

[20] The largest six suppliers are British Gas, EDF, E.ON, npower, Scottish Power and SSE.
[21] Includes all suppliers other than the largest six suppliers.

Although the decline in the levels of take-on debt for the smaller suppliers' customers is a welcome development, we are concerned that all three metrics of average debt for the customers of the six largest suppliers increased in 2014, to varying levels. We recognise that some of the increase may be driven by a single large supplier, with whom we will be following up separately, but expect other large suppliers to continue monitoring average debt levels and improve their processes to prevent debt from building up.

Figure 6: Average debt associated with gas and electricity accounts with the largest six suppliers and with smaller suppliers at the end of 2014



In January 2014 we held a debt management workshop in conjunction with Money Advice Trust, at which we discussed good practice in agreeing affordable repayment arrangements and avoiding disconnection. In July 2015 we discussed the issue of dealing with customers in debt at the DECC-Ofgem Independent Supplier Forum, reminding suppliers about what is expected from them in this area[22].

Proactively contacting customers in debt is one of the key principles for ability to pay, which are key considerations the Authority will take into account when assessing compliance with SLC 27. While some progress has been made, we consider that it has not been made fast enough, and there is still more to be done by both smaller and larger suppliers to ensure timely identification of customers struggling to

[22] https://www.ofgem.gov.uk/publications-and-updates/ofgem-decc-independent-suppliers-forum-6-july-2015?utm_medium=email&utm_source=dotMailer&utm_source=&utm_campaign=Daily-Alert_05-08-2015&utm_campaign=6015474_Daily-Alert_05-08-2015&utm_content=Ofgem-DECC%20Independent%20Suppliers%20Forum%206%20July%202015&dm_i=1QCB,3KXKI,GH6DY3,CUU9C,1

pay bills. We will be following this up with the suppliers in question later this year, and we will write to the suppliers to ensure that they prioritise these issues in their work. In addition to close monitoring of improvements in Social Obligations Reporting, we will be looking at publishing individual supplier data on average debt starting from the next SOR annual report. If we don't see significant improvements, we will consider using other actions available to us.

Breakdown of debt levels

Table 6 shows that around 65% of the accounts that remained owing on electricity and gas repayment arrangements (snap-shot debt) at the end of 2014 had debts below £300. This is less than what it was in 2013 (around 70%).

On the other hand, the proportion of debt higher than £600 increased in 2014 compared to 2014: around 20% of all debt that remained owing in 2014 compared to around 16% in 2013.

Table 6: Breakdown of the amounts that remained owing (snapshot debt) on gas and electricity accounts in debt at the end of 2014 where a customer was repaying the debt

Fuel	Amounts remained owing			
	less than £100	£100-£300	£300-£600	more than £600
Electricity	38%	27%	16%	19%
Gas	37%	27%	16%	20%

How energy 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 for repayment 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.

Budget 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.

Repayment methods

Suppliers are offering customers a range of repayment methods, rather than installing a PPM as the default method of recovering debt. In 2014:

- Around 60% of customers who entered debt repayment arrangements agreed to repay their debt by direct debit, for both fuels
- Budget payment schemes were also popular repayment method, accounting for around 13% of repayment arrangements for both fuels
- Only 1% of customers who entered debt repayment arrangements agreed to repay via Fuel Direct
- PPMs accounted for less than one-fifth of all repayment arrangements (17%) for electricity and gas.

More information about the use of PPMs in Great Britain can be found in Chapter 3.

Fuel Direct

Fuel Direct 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[23].

The scheme is generally considered by suppliers and DWP to be a 'last resort' for customers who are having difficulty paying, who receive social security benefit and have no other suitable way to repay debts on their gas and/or electricity accounts.

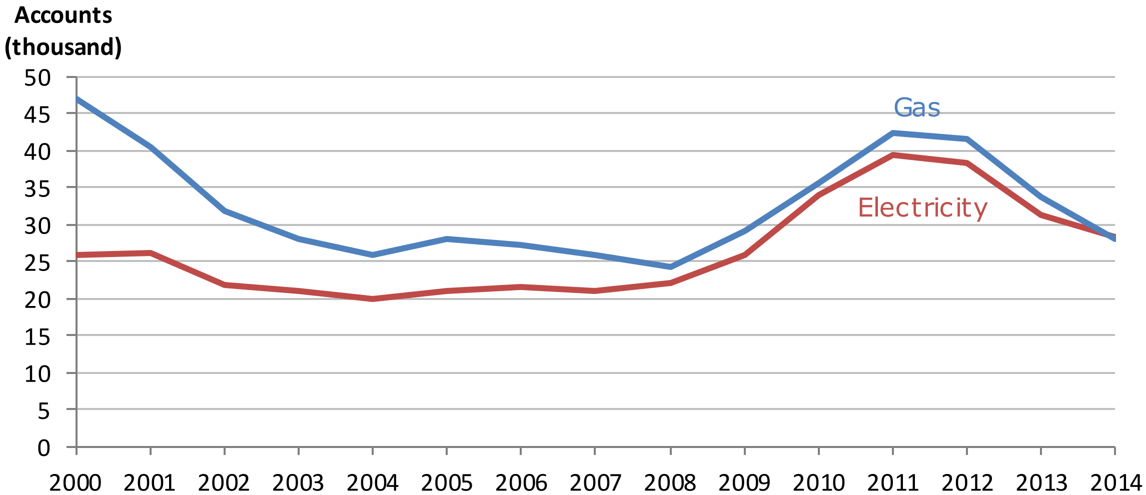
Fuel Direct has a number of benefits for customers. It provides automatic access to a low debt repayment level and it offers an alternative way to pay, if other methods have not been successful and a PPM is not suitable. It can be a valuable way to help vulnerable customers on low incomes who are struggling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

Figure 7 shows that at the end of 2014, approximately 28,000 electricity accounts and 28,000 gas accounts were being paid by Fuel Direct. This is fewer (by 9% and 17% respectively) than were being paid by Fuel Direct at the end of 2013. This was third consecutive year of the decline in the number of accounts paid by Fuel Direct.

As was the case last year, 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. Around a quarter of accounts paid by Fuel Direct in 2014 did not have debt in case of both fuels (ca. 7,400 for electricity and ca. 7,000 for gas).

[23] https://www.gov.uk/bills-benefits

Figure 7: Number of electricity and gas accounts paid by Fuel Direct, 2000-2014



Average repayment arrangements

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.

Existing research suggests that while not all PPM users are financially vulnerable, they are more likely to be on lower incomes than the average energy customer[24] and they are more likely to be in fuel poverty than customers paying by other payment methods[25]. We were therefore concerned that PPM customers were facing higher repayment rates while being less able to afford them.

Figure 8 shows that since 2013, repayment rates agreed with customers repaying via a PPM started to converge to those agreed with customers repaying via other methods, although in 2013 this was partly due to the increase in the repayment rates for customers using repayment methods other than PPM.

In 2014, repayment rates for both credit and PPM customers declined very slightly compared to 2013, generally remaining close to those in 2013. The repayment rates were in the range of £5.90 per week-£6.60 per week, depending on fuel.

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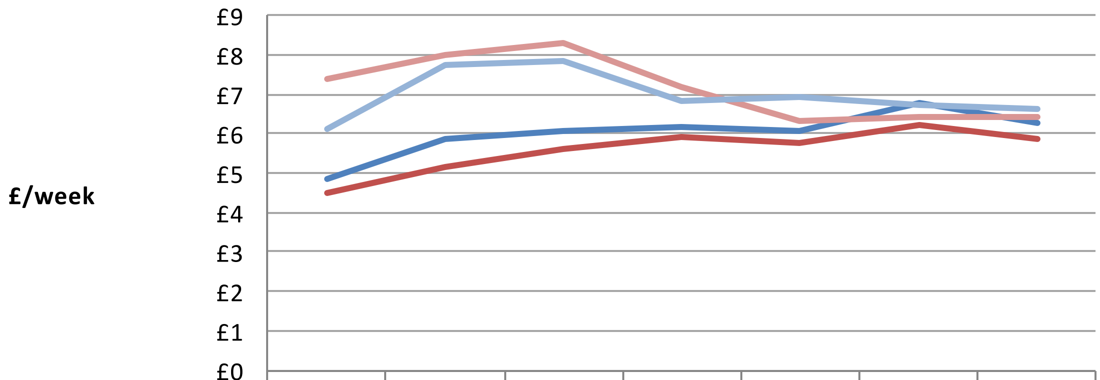
[24] http://www.citizensadvice.org.uk/topping_up_or_dropping_out
[25] https://www.gov.uk/government/collections/fuel-poverty-statistics

Between 2013 and 2014, average repayment rates for credit customers declined by 6% for electricity and 8% for gas. Average repayment rates for PPM customers remained the same for electricity and declined by 2% for gas.

Figure 8: Average weekly debt repayment rates, 2008-2014

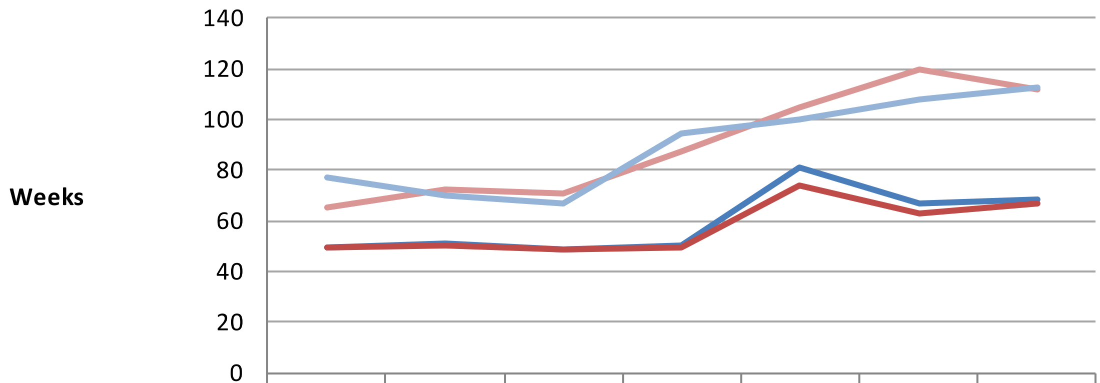


	2008	2009	2010	2011	2012	2013	2014
Credit Electricity	4.5	5.2	5.6	5.9	5.8	6.2	5.9
Credit Gas	4.8	5.9	6.1	6.2	6.1	6.8	6.3
PPM Electricity	7.4	8.0	8.3	7.2	6.3	6.4	6.4
PPM Gas	6.1	7.8	7.9	6.8	6.9	6.8	6.6

Figure 9 below shows that the average number of weeks that credit consumers are being given to repay their debt increased slightly for both electricity (3%) and gas (6%) in 2014 compared to 2013.

The average number of weeks that PPM consumers are being given to repay their debt decreased for electricity (-7%) and increased for gas (5%) in 2014 compared to 2013, although it was still higher than in 2012 for both fuels. It should be noted that the repayment periods for PPM customers have generally become longer since 2010.

Figure 9: Average length in weeks of debt repayment arrangements agreed, 2008-2014



	2008	2009	2010	2011	2012	2013	2014
Credit Electricity	49	51	48	50	81	66	69
Credit Gas	49	50	49	50	74	63	67
PPM Electricity	65	72	71	87	104	120	112
PPM Gas	77	70	67	95	100	108	113

Average repayment rates agreed by larger and smaller suppliers

Our analysis of the data provided by suppliers indicates that around 60% of electricity and gas customers in debt agreed to repay their debt at less than £6 per week, and around 80% of customers agreed to repay their debt less than £9 per week in 2014.

As in the case of the average debt levels, we closely monitor repayment rates agreed by suppliers. In particular, we look at the differences between the repayment rates agreed by the largest six suppliers and smaller suppliers.

Figure 10 and Figure 11 below show different repayment rates agreed by largest six suppliers and smaller suppliers as a proportion of all repayment rates agreed in 2014. The data covers customers paying by PPM and by credit methods.

For example, Figure 10 shows that in 2014 around 60% of Scottish Power customers who agreed to repay debt were repaying on average between £0.01 and £2.99 per week, while around 20% of their customers were repaying between £3.00 and £5.99 per week.

Figure 10: Weekly repayment rates agreed by the largest six energy suppliers in 2014 as a percentage of all arrangements agreed to repay a debt

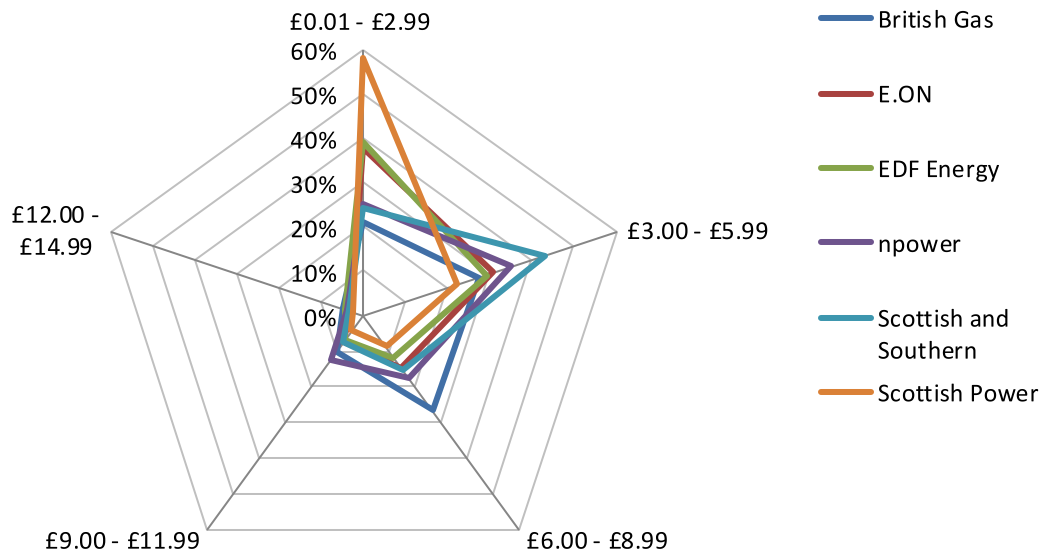
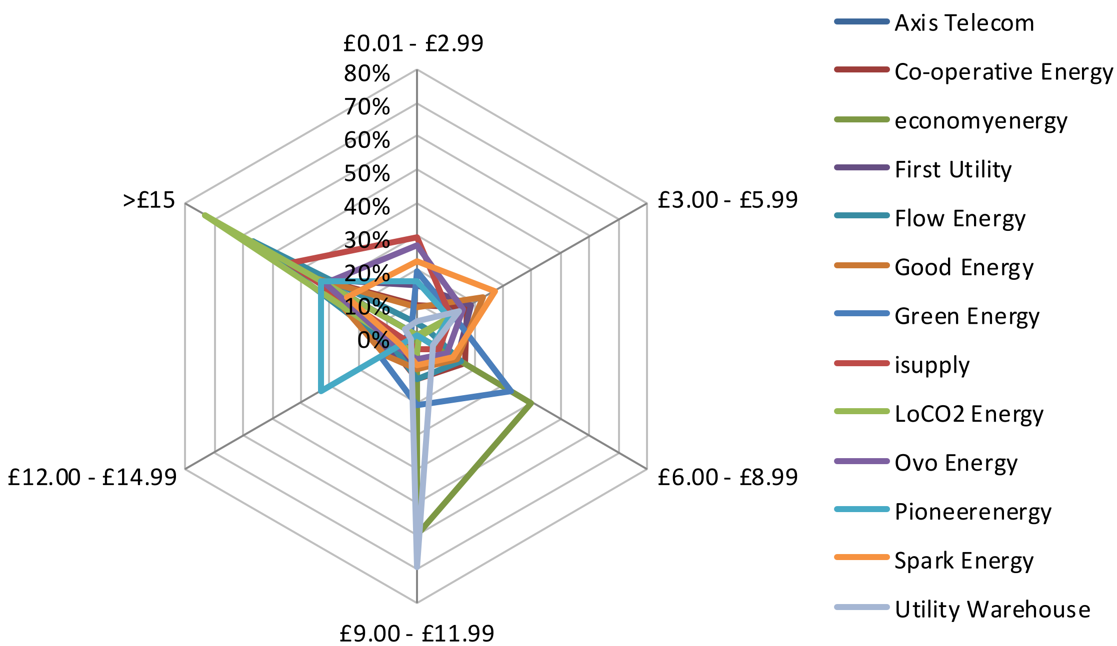


Figure 11: Repayment rates agreed by the smaller suppliers in 2014 as a percentage of all arrangements agreed to repay a debt



The data shows some differences in repayment arrangements agreed by different suppliers, particularly smaller suppliers. The majority of customers of the six largest suppliers (65%) were likely to agree an arrangement to repay their debt at less than £6 a week, compared to only 35% of the smaller suppliers' customers. By contrast, less than 10% of the six largest suppliers' customers repay at more than £15 per week, compared to nearly 30% of the customers of the smaller suppliers. In particular, the majority of customers of Flow Energy (57%) and LoCO2 Energy (73%) were likely to agree to pay debt at more than £15 per week.

The way suppliers assess a customer's ability to pay may influence the repayment rates they agree with them. We discussed this issue at the debt management workshop we held with Money Advice Trust in January 2014, as well as during the DECC-Ofgem Independent Supplier Forum in July 2015[26]. Setting repayment rates based on customers' ability to pay is one of the key principles for ability to pay. The latter are main considerations which the Authority will take into account when assessing compliance with the supply licence condition 27. We will be writing to suppliers this year to ask them to explain how their debt collection policies take into account the key principles for ability to pay. If we don't see significant improvements, we will consider using other actions available to us.

Smart meters and debt management

Data notes

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[27].

The government is aiming for all homes and small businesses in Great Britain 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. The programme aims to replace 53 million meters with smart electricity and gas meters in domestic properties[28].

Smart meters are expected to bring many benefits to consumers. They should give consumers better control over their energy, helping them to use it more efficiently.

[26] https://www.ofgem.gov.uk/publications-and-updates/ofgem-decc-independent-suppliers-forum-6-july-2015?utm_medium=email&utm_source=dotMailer&utm_source=&utm_campaign=Daily-Alert_05-08-2015&utm_campaign=6015474_Daily-Alert_05-08-2015&utm_content=Ofgem-DECC%20Independent%20Suppliers%20Forum%206%20July%202015&dm_i=1QCB,3KXKI,GH6DY3,CUU9C,1

[27] Standard Licence Condition 25B.16 of the electricity and gas supply licences.

[28] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/384190/smip_smart_metering_annual_report_2014.pdf

They will help them to budget better, and switch supplier more quickly. They can let suppliers help customers prevent building up debt and better manage their energy debt. For example, reminders could be sent to consumers when they reach an agreed budget threshold, or low credit alerts can be sent to smart prepay consumers. Switching between credit and PPM methods will be easier and faster with smart meters, as these will enable remote switching between prepay and credit modes. We also expect a reduction in the costs of moving onto or away from prepayment, as there will be no need to physically exchange the meter.

As part of Social Obligations Reporting, we collect data on the number of smart meters across Great Britain. Table 7 shows that at the end of 2014, there were around 1,000,000 smart electricity meters and around 700,000 smart gas meters installed in GB, 52% more and 53% more respectively compared to the end of 2013.

Table 7: Number of smart meter[29] customers at the end of the reporting period, GB

Year	Electricity	Gas
2012	454,861	317,342
2013	719,739	466,794
2014	1,095,472	714,672
Change 2012-2014, %	141%	125%
Change 2013-2014, %	52%	53%

Ofgem's Consumer Empowerment and Protection project includes work on smart billing and smart prepayment. It is focused on ensuring that regulation facilitates the benefits of smart metering, and that consumers remain appropriately protected in a smarter market. For example, we want suppliers to focus on the accuracy of bills, and we are looking to limit the period for which a consumer can be back-billed. We also want suppliers to make helpful smart prepayment functionalities available, such as those mentioned above (eg, low credit alerts).

[29] In the context of the SOR, smart meters are taken to mean an 'Advanced Domestic Meter'. This includes SMETS-compliant meters.

3. Prepayment meters

Chapter Summary

The chapter provides an 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 of PPMs installed to manage debt.

Total number of PPMs

There were around 4.5 million electricity PPM accounts and around 3.4 million gas PPM accounts in Great Britain in 2014 (Table 8). This amounted to 17% of all electricity customer accounts and 15% of all gas customer accounts in Great Britain in 2014[30].

In Scotland, there were over 540,000 PPM electricity accounts and over 329,000 PPM gas accounts at the end of 2014. This amounted to 21% of all electricity accounts and 17% of all gas accounts in Scotland at the end of 2014.

In Wales, at the end of 2014 there were nearly 300,000 electricity PPM accounts (21% of all electricity accounts) and nearly 220,000 gas PPM accounts (19% of all gas accounts).

England had the lowest proportion of PPMs in 2014 among the nations (16% for electricity and 15% for gas).

Table 8: Total number of gas and electricity PPM accounts

Fuel/Year	GB	England	Scotland	Wales
Electricity				
2012	4,256,065	3,461,205	524,766	270,094
2013	4,422,504	3,589,729	551,542	281,233
2014	4,496,181	3,660,606	543,497	292,078
% change, 2012-2014	6%	6%	4%	8%
% change, 2013-2014	2%	2%	-1%	4%

[30] The 15% figure used in our "Prepayment review: understanding supplier charging practices and barriers to switching" report refers to March 2015 and is based on information provided by domestic suppliers on the number of customer accounts held by payment type in each month between January 2012 and March 2015 (https://www.ofgem.gov.uk/publications-and-updates/prepayment-review-understanding-supplier-charging-practices-and-barriers-switching). This information was provided independently from the Social Obligations Reporting.

Fuel/Year	GB	England	Scotland	Wales
Gas				
2012	3,099,245	2,607,571	293,859	197,815
2013	3,282,080	2,757,173	314,659	210,248
2014	3,399,158	2,851,173	329,401	218,584
% change, 2012-2014	10%	9%	12%	10%
% change, 2013-2014	4%	3%	5%	4%

In our 2012 and 2013 Social Obligations annual reports we highlighted an upward trend across the whole of GB in the number of electricity and gas accounts paying for their energy via PPM. This trend continued in 2014, with the total number of electricity and gas accounts paying via PPM in GB increasing by around 2% and 4% respectively.

Growth rates for electricity PPMs were different across the nations, with the number of PPMs increasing in England (2%) and Wales (4%), but actually declining slightly in Scotland (-1%). Growth rates for gas PPMs were similar, with the number of gas PPMs increasing in all three nations. Scotland saw the largest increase in the number of gas PPMs between 2013 and 2014 (5%), followed by Wales (4%) and England (3%).

PPM installation rates

In this section we look at the number of PPMs newly installed each year in Great Britain during 2010-2014. This includes PPMs installed to manage debt and those installed for reasons other than debt.

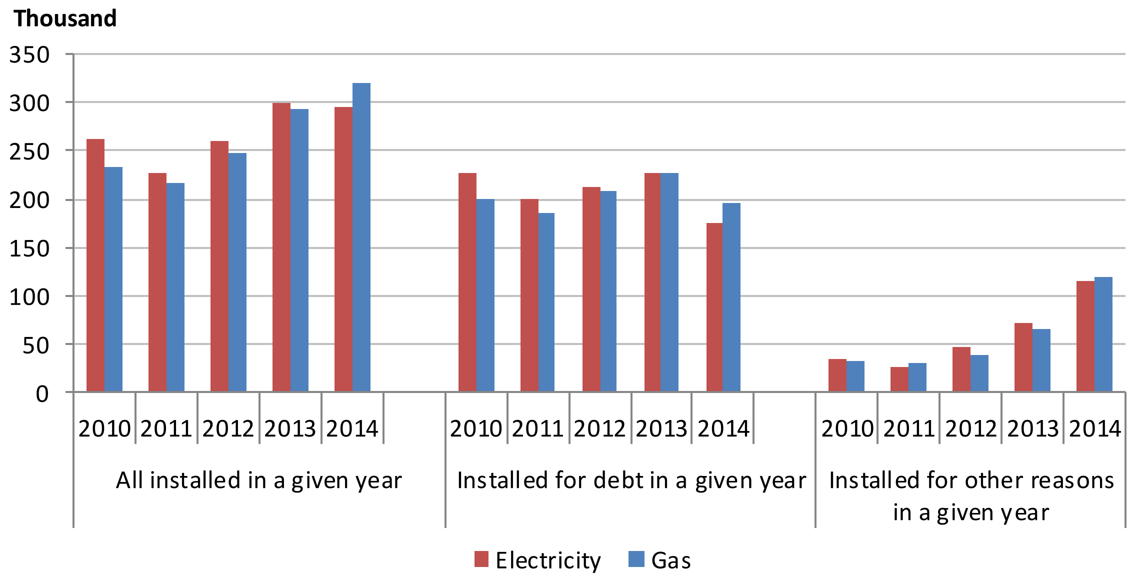
A customer may choose to have a PPM to help them with budgeting. Also, some landlords install PPMs in their rental properties to minimise the risk of tenants running into debt.

A PPM may be offered to manage a debt where it is safe and reasonably practical in all the circumstances for the consumer to use one. Suppliers must not disconnect customers in debt unless they have taken all reasonable steps to recover debt by offering consumers a range of repayment options[31].

Figure 12 shows that approximately 300,000 new electricity PPMs and 320,000 new gas PPMs were installed in Great Britain during 2014. This is around 1% less for electricity and 9% more for gas than were installed in 2013. These numbers include PPMs installed to manage debt and those installed for reasons other than debt.

[31] Standard licence condition 27.9 of the gas supply licence and the electricity supply licence.

Figure 12: Number of new PPMs installed each year because of account debt and for reasons other than account debt, 2010-2014



In the 2014 reporting period, Scottish Power was unable to report on several metrics related to PPMs installed for debt in Quarters 2-4 due to transition to a new SAP billing system.

Based on estimates provided by Scottish Power, the data reported in SOR for 2014 is likely to underestimate the number of new PPMs installed for debt in 2014 by around 6,800 for electricity and by around 4,300 PPMs for gas. This amounts to around 2% of all newly-installed PPMs for electricity and 1% for gas.

The data reported in SOR for 2014 is likely to overestimate the number of new PPMs installed for reasons other than debt by around 1,700 PPMs for electricity and around 1,200 PPMs for gas. This amounts to around 1% of all newly-installed PPMs for electricity and 0.4% of all PPMs installed for gas. The total number of PPMs newly installed in 2014 was not affected.

As in previous years, the majority of newly-installed PPMs, around 60% for both electricity and gas, were installed to manage debt. This amounted to around 175,000 electricity PPMs and 195,000 gas PPMs in 2014.

We have also seen an increase in the number of PPMs installed for reasons other than to repay debt. Around 115,000 electricity PPMs and 120,000 gas PPMs were installed to manage accounts for reasons other than debt in 2014, compared to around 72,000 electricity PPMs and around 67,000 gas PPMs installed in 2013.

PPMs installed for non-payment of debt on a warrant visit

Suppliers have the right to recover outstanding charges for supply. Under our key principles for ability to pay[32], suppliers should make proactive contact with customers to prevent debt build-up, and agree affordable debt repayment rates (see Chapter 2). Suppliers should then monitor repayment arrangements to ensure they remain fit for purpose.

During the debt collection process, suppliers typically make a number of attempts to contact customers in debt to arrange debt repayment, including at least one visit to customer premises. If the supplier can't reach the customer, the supplier has a right to apply for warrant at a local court to enter the customer's premises to install a prepayment meter to recover outstanding debt. Installing prepayment meters under warrant should only be used as a last resort by energy suppliers when consumers get into debt. It is a way to prevent a customer from being disconnected and to ensure the customer does not go further into debt. As with all prepayment meter installations, the supplier must ensure that prepayment is safe and practical for the customer to use in all circumstances[33].

Figure 13 shows that around 50,000 electricity PPMs and 50,000 gas PPMs were installed on a warrant visit in 2014 in Great Britain. In 2014, PPMs installed for debt on a warrant visit accounted for around 30% of all PPMs installed for debt in that year.

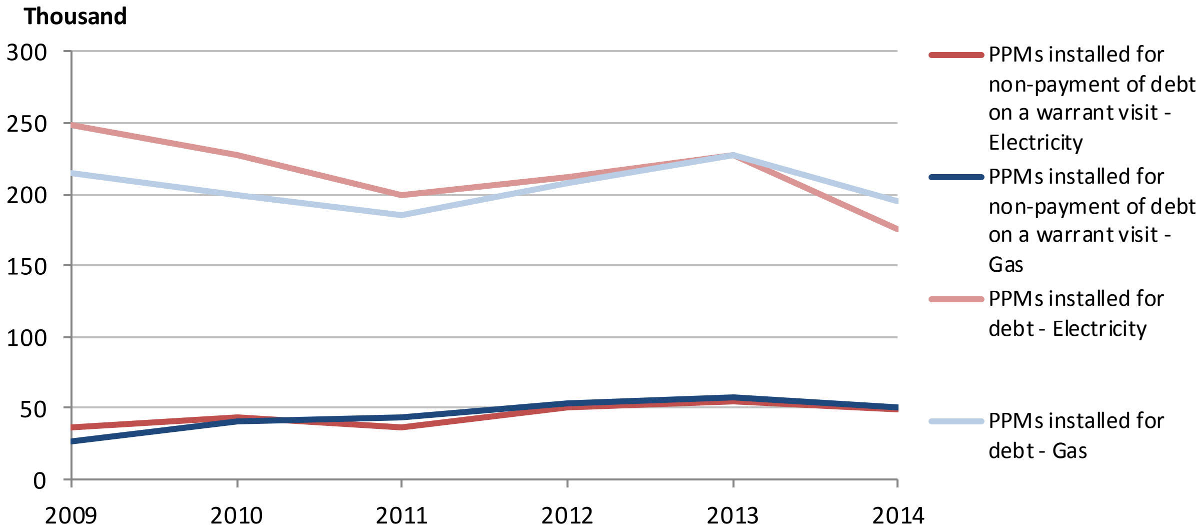
The data shows that the number of PPMs installed for debt on a warrant visit increased by 35% and 88% for electricity and gas respectively since 2009. However, the growth reversed in 2014, when 10% less electricity PPMs and 13% less gas PPMs were installed on a warrant visit compared to 2013.

The increase in the PPMs installed under warrant seems to have been largely driven by a single large supplier. The supplier explained to us that the growth in the number of PPMs installed under warrant in recent years was due to high number of customers with aged debt and a change in its internal policies.

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

[33] Standard licence condition 27.6 of the gas and electricity supply licence.

Figure 13: PPMs installed for non-payment of debt and PPMs installed for non-payment of debt on a warrant visit, 2009-2014[34]



PPMs installed for non-payment of debt on a warrant visit: use of blanking discs

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

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

Suppliers installed around 6,000 gas PPMs with blanking discs on a warrant visit in 2014. This amounts to 12% of all gas PPMs installed on a warrant visit in that year.

E.ON and npower most frequently used the discs. Of the gas PPMs installed for non-payment of debt on a warrant visit in 2014, around half of E.ON's and a third of npower's were fitted with a disk.

[34] Includes revised data provided by one of the suppliers in May 2015.

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

As blanking discs leave customers without 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 using blanking discs altogether during the winter months and we encourage other suppliers to do so too.

Customers switching from PPM to credit meters

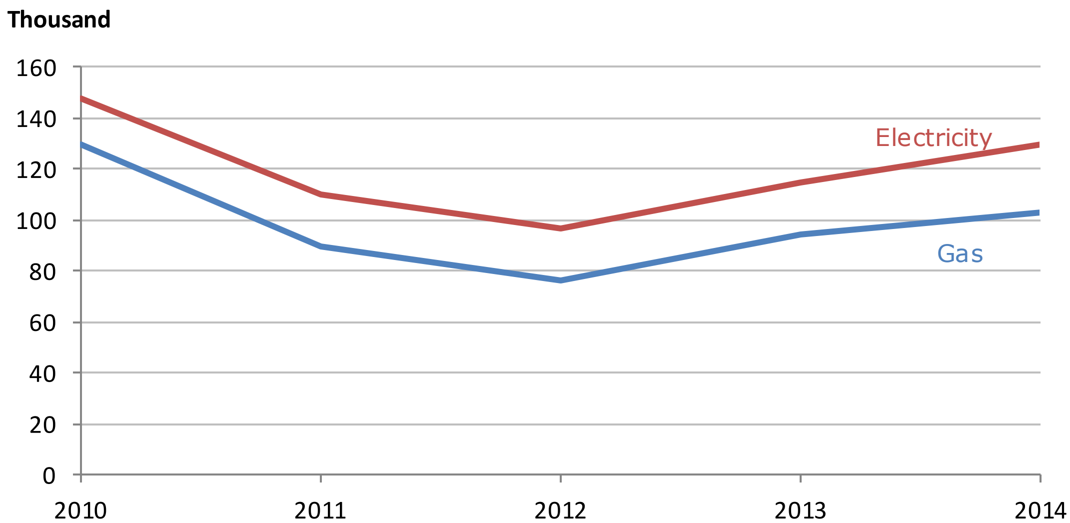
Prepayment customers can make significant savings by moving from prepayment to the cheapest credit tariff in the market. Our data shows that a prepayment customer can save up to £300 a year by moving to the cheapest direct debit tariff[35]. Given potential savings available on the market, it is essential that any customer capable of managing their energy bills in arrears is able to switch easily.

Figure 14 shows the number of customers switching from PPMs to credit meters between 2010 and 2014. About 130,000 electricity and 103,000 gas PPM customers switched to credit meters in 2014. This represented around 3% of all electricity and all gas PPM customers.

The number of customers switching from PPMs to credit meters declined during 2010-2012, but in 2013 the trend reversed. The increase that started in 2013 continued in 2014, with about 13% more electricity and 9% more gas customers switching from PPM to credit meters in 2014 compared to 2013.

[35] Figure from Ofgem Retail Market Monitoring, May 2015.

Figure 14: The number of customers switching from PPMs to credit meters, 2010-2014



The data shows that around 17,000 electricity PPM customers and 17,000 gas PPM customers without a debt who attempted to switch to credit meter were refused in 2014. Our prepayment review published in June 2015 indicated that the need for PPM customers to pay a security deposit, or pass a credit check before being able to switch to credit meter are likely reasons they were refused[36].

We have investigated situations in which suppliers require security deposits as a condition of paying by credit meter in our prepayment review. We will be consulting on strengthening protections in this area, including ending use of security deposits in some or all cases.

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

To ensure well-functioning energy markets and the 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) is a process set out in industry codes that allows some PPM customers who are in debt to switch their energy supplier.

[36] https://www.ofgem.gov.uk/publications-and-updates/prepayment-review-understanding-supplier-charging-practices-and-barriers-switching

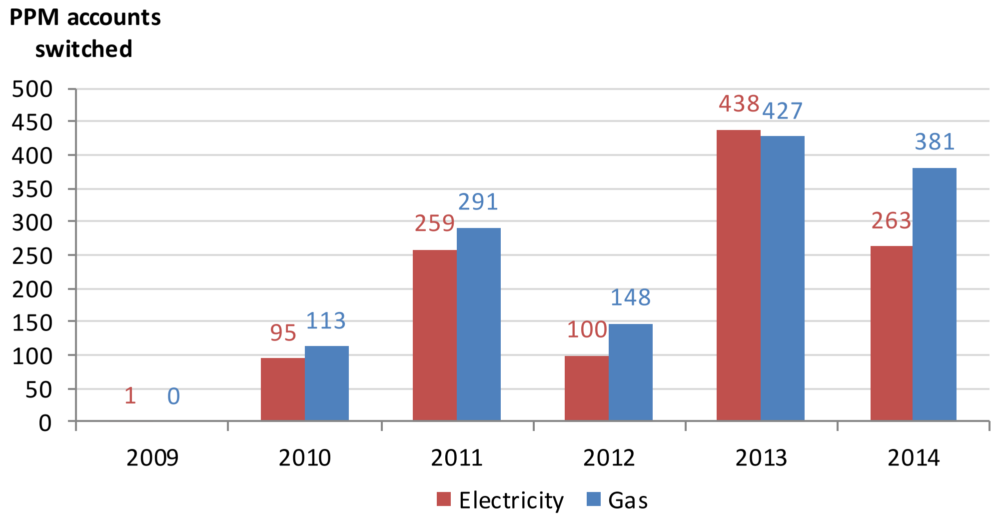
Whether an indebted PPM customer has the right to switch depends on the amount of debt their gas and/or electricity account has. Currently the threshold is set at £500 per fuel[37].

Figure 15 shows the number of PPM accounts with a debt switched to another supplier using DAP[38].

Suppliers have reported that in 2014 consumers attempted to switch approximately 48,000 electricity PPM accounts with a debt and 46,000 gas PPM accounts with a debt. However, only 263 electricity accounts and 381 gas accounts were successfully switched through the DAP. This amounts to less than 1% of all indebted PPM customers who attempted to switch using the DAP. This is a decline from 438 electricity switches and 427 gas switches that were completed in 2013, which amounts to a decline of 40% and 11% respectively.

[37] Standard Licence Condition 14.6 of the gas and electricity supply licences.
[38] 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).

Figure 15: Number of gas and electricity PPM accounts with a debt switched to another supplier using the Debt Assignment Protocol, 2009-2014



In light of the exceptionally low number of indebted PPM customers completing a switch under DAP, we reviewed the protocol in 2014. Following our review, 11 suppliers have voluntarily adopted a revised DAP process. This revised process removes a barrier to switching which previously required consumers to proactively restart their switch partway through the process. Additionally, in May 2015 we published our decision to formally increase the debt threshold at which suppliers must facilitate switch for indebted PPM customers from £200 per fuel to £500 per fuel (SLC 14.6 of the gas and electricity supply licences)[39]. This change took place on 8 July 2015.

We have also modified Social Obligations Reporting arrangements to bring them in line with the modified licence condition and reviewed protocol. Suppliers started reporting under revised SOR arrangements from quarter 2 (April-June) 2015. We will be closely monitoring switching rates under the updated DAP. 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.

PPM review: understanding supplier charging practices and barriers to switching

In 2013, we identified problems with some suppliers refusing to allow PPM customers to switch to credit meters. These included situations where a consumer failed a required credit check or was unable or unwilling to accept terms, including payment

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[39] https://www.ofgem.gov.uk/publications-and-updates/decision-make-modifications-gas-and-electricity-supply-licences-reform-switching-process-indebted-prepayment-meter-customers-debt-assignment-protocol

of a security deposit. In addition to upfront security deposits there are also concerns that prepayment customers can face particular barriers when trying to access competitively-priced deals: notably, fewer tariff choices and charges for installing and removing a prepayment meter.

To understand these problems better, and to ensure that that costs do not fall disproportionately on those least able to afford them, in February 2015 we issued an information request on prepayment to all domestic gas and electricity suppliers. The information request covered three main areas: PPM installation and removal charges, PPM tariff choice and use of security deposits.

In June 2015 we published our prepayment report[40] outlining the key findings and proposed next steps of our review. As part of this, we will seek views on ending charges for installing and removing prepayment meters and ending use of security deposits in some or all cases. We plan to issue the consultation in autumn this year.

We will also follow up with the suppliers who have given us cause for concern about the appropriateness of types of charges, levels of charges, and how they are applied. This includes examining whether they comply with existing rules.

Our retail market monitoring made us concerned about the limited choice of tariffs available to prepayment customers relative to standard credit and direct debit customers. We want to see more competitively-priced tariff options available for prepayment consumers. We have started a review to further understand the potential shortage of prepayment tariff codes and whether this is limiting competition.

We will continue to work with government and energy companies to ensure smart metering delivers benefits to all consumers including those on prepayment. This includes our work on faster switching and consumer empowerment and protection.

Smart meters – remote switching

We started monitoring remote switching in quarter 3 (July-September) 2012. Therefore 2012 data includes data only for July-September.

Table 9 shows that in 2014, there were 456 remote switches from credit meter to PPM for electricity and 236 remote switches from credit meter to PPM for gas. In case of both fuels about two-thirds of the switches were carried out where the customer was repaying debt.

[40] https://www.ofgem.gov.uk/publications-and-updates/prepayment-review-understanding-supplier-charging-practices-and-barriers-switching

Table 9: Smart meters - remote switches

Fuel/Year	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				
2012[a]	38	11	49	33
2013	317	153	470	104
2014	274	182	456	3,836
Gas				
2012 [a]	23	10	33	26
2013	253	79	332	89
2014	153	83	236	2,812

Note. [a] – data for July-December only.

In 2014, 3,836 smart electricity PPMs and 2,812 smart gas PPMs were switched remotely to credit. This was a significant increase from 104 electricity and 89 gas switches that were carried out in 2013. The increase in the remote switches from PPM to credit for smart meters in 2014 compared to 2013 is accounted for by two smaller suppliers. One supplier experienced an increase in the customer numbers and also improved the process of transfer recording. The other supplier introduced a policy change whereby a smart meter customer in a PPM mode is switched to credit in case of change of supplier to ensure continuity of supply. We are currently consulting with industry and other stakeholders on standardising this approach.

This approach to the smart prepayment change of supplier process affects interpreting the data. Since some of these customers may switch back to PPM after they have changed suppliers, the numbers should be treated with caution since they are likely to overestimate the number of true switches from PPM to credit. We appreciate that as industry practices evolve, there may be a need to revise this indicator in the future to get an accurate measure of remote switches from PPM to credit.

Smart metering enables remote disconnection (covered in Chapter 4 of the report) and remote switching between credit and prepayment mode. This means that there will no longer be a need to visit the premises to disconnect or install a prepayment meter. The home visit provides an opportunity to conduct additional checks for signs of vulnerability. We would like to remind suppliers that SLC 27.6 of electricity and gas supply licences requires them to ensure that it is safe and reasonably practical in all circumstances to put a consumer onto prepayment. This applies equally to smart meters.

As part of the 2011 'Spring Package'[41], we updated 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.

We will continue to monitor suppliers' use of remote switching in 2015. We will meet suppliers to see if they are taking the right steps to satisfy themselves that it is safe and reasonably practical for the customer to change payment type.

We will shortly be consulting on smart prepayment proposals as part of the broader Consumer Empowerment and Protection programme. The consultation will reflect extensive stakeholder engagement work, including several policy workshops, and set out our thinking on how best to achieve the objectives for our smart prepayment work[42].

[41] https://www.ofgem.gov.uk/publications-and-updates/smart-metering-spring-package-addressing-consumer-protection-issues

[42] https://www.ofgem.gov.uk/ofgem-publications/90348/consumerempowermentandprotectionupdatedworkprogramme.finalpdf.pdf

4. Disconnection for non-payment of debt

Chapter Summary
In this chapter we analyse suppliers' use of disconnection for debt in 2014. This includes the number of gas and electricity disconnections for debt, the number of disconnections carried out by individual suppliers, and the reasons for them. We also compare the number of disconnection in England, Scotland and Wales.

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[43].

Six larger suppliers (British Gas, EDF Energy, E.ON, npower, Scottish Power and SSE) also adhere to Energy UK voluntary code of practice known as the Safety Net[44]. Among other protections, suppliers committed to not disconnecting vulnerable customers at any time of year and to reconnecting 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

Table 10 shows the total number of electricity and gas disconnections during 2010-2014. It also shows the number of disconnections broken down by nation, for England, Scotland and Wales.

There were 192 electricity disconnections for debt carried out in Great Britain 2014; this is 65% less than the 556 electricity disconnections carried out in Great Britain in 2013. There were 41 gas disconnections for debt carried out in 2014; this is 51% less than in 2013 when 84 gas disconnections carried out.

The decline in the number of disconnections was driven by a decline in England, which had most disconnections, and can be attributed to decline in disconnections by a single large supplier. Disconnections in Scotland and Wales in 2014 remained very low in absolute numbers, with only 6 electricity and gas disconnections in total carried out in the two countries in that year. Percentage changes for Scotland and

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

Wales provided in Table 10 should be treated with caution, since they refer to very small absolute numbers.

Table 10: Number of disconnections for non-payment of debt, 2010-2014

Fuel/Year	GB	England	Scotland	Wales
Electricity				
2010	1,988	1,946	17	25
2011	921	868	13	40
2012	453	440	5	8
2013	556	542	6	8
2014	192	189	0	3
% change 2010-2014	-90%	-90%	-100%	-88%
% change 2013-2014	-65%	-65%	-100%	-63%
Gas				
2010	813	687	94	32
2011	331	282	15	34
2012	104	98	4	2
2013	84	79	4	1
2014	41	38	1	2
% change 2010-2014	-95%	-94%	-99%	-94%
% change 2013-2014	-51%	-52%	-75%	100%

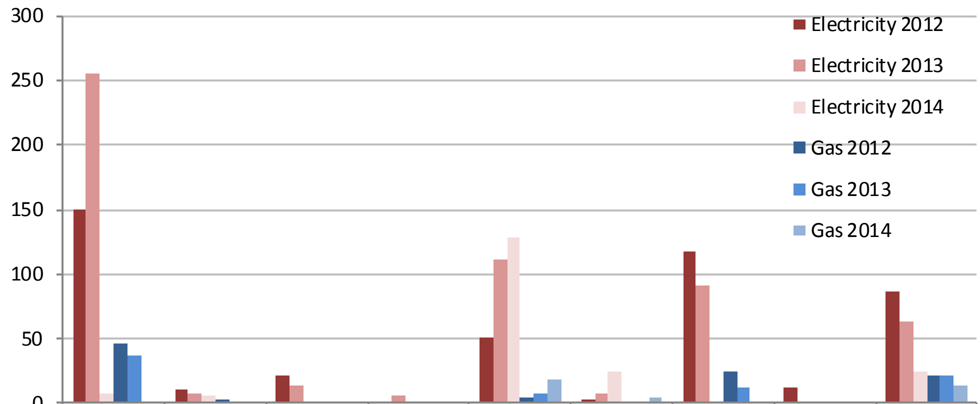
Disconnections for debt by supplier

Our analysis shows that seven suppliers disconnected customers for debt in 2014. Npower accounted for about two-thirds of all electricity disconnections and about half of all gas disconnections that were carried out in 2014.

The overall decline in the number of electricity disconnections in 2014 compared to 2013 was driven by E.ON, which reduced the number of disconnections it carries out (Figure 16). In 2014 E.ON carried out only 8 electricity disconnections and 2 gas disconnections, down from 255 electricity and 37 gas disconnections in 2013. This was due to changes in internal policies which focussed on using disconnection only as a last resort.

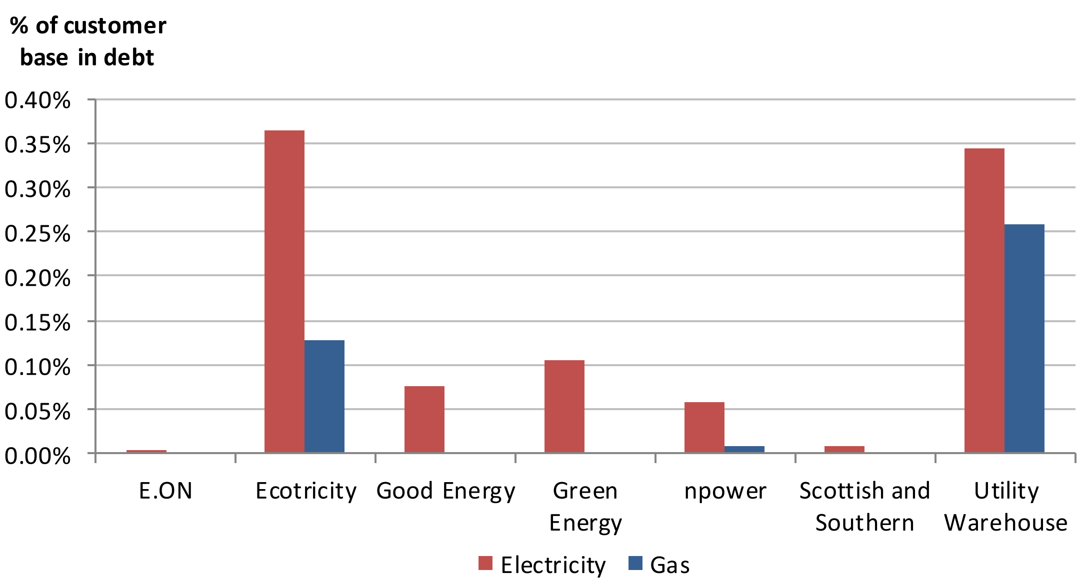
Figure 17 shows the number of disconnections carried out by each supplier in 2014 as a percentage of their customer base in debt. It shows that among suppliers who disconnected customers for debt in 2014, Ecotricity and Utility Warehouse carried out the most disconnections relative to their customer base in debt.

Figure 16: Number of disconnections for debt by supplier between 2012 and 2014



	E.ON	Ecotricity	Good Energy	Green Energy	npower	Scottish and Southern	Scottish Power	Spark Energy	Utility Warehouse
Electricity 2012	150	11	21	0	51	3	117	13	87
Electricity 2013	255	8	14	6	111	7	91	0	64
Electricity 2014	8	6	1	1	128	24	0	0	24
Gas 2012	46	3	0	0	4	2	25	2	22
Gas 2013	37	2	0	0	7	1	13	2	21
Gas 2014	2	1	0	0	19	5	0	0	14

Figure 17: Supplier disconnections for debt in 2014 shown as a percentage of their customer base in debt



Reasons suppliers disconnected consumers for debt in 2014

Suppliers must seek alternative solutions to disconnection and use disconnection only as a last resort. Fitting a PPM is one common alternative to disconnection if a supplier has been unable to agree a repayment arrangement with a customer. However, there are instances when a supplier has difficulty recovering a debt but cannot install a PPM for safety or practical reasons[45].

We asked suppliers to tell us the reasons behind each disconnection that was carried out in 2014 to understand why they ultimately disconnected consumers for debt. We found that the disconnections for debt that took place in 2014 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 gave us a number of reasons why they could not install a PPM:

- unsuitable location
- unsuitable infrastructure
- lack of 24-hour access
- health and safety reasons.

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 if we find evidence that consumer detriment has occurred.

Self-disconnection

Disconnecting supply should only take place as a last resort. As a result of our work, disconnections for energy debt in Great Britain remain low. However, we know that more customers are moving onto PPMs because of debt and can potentially self-disconnect.

The majority of self-disconnections occur in error when the customer forgets to top up, doesn't realise they are low on credit, or can't top up their meter, eg if their pay point is closed. Citizens Advice's research found that most PPM users do not self-disconnect for long periods of time. However, a small number had serious difficulty being able to afford to keep their meters topped up and more than half of PPM users who had been temporarily disconnected said keeping their meter topped up was a major concern of their daily lives[46].

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[45] https://www.ofgem.gov.uk/ofgem-publications/57397/debt-review-report.pdf
[46] http://www.citizensadvice.org.uk/index/policy/policy_publications/er_fuel_water_post_digital_telecoms/topping_up_or_dropping_out.htm

In November 2014, we hosted a workshop jointly with Citizens Advice and its Extra Help Unit[47]. This was to understand better the causes of self-disconnection; improve monitoring; explore opportunities to prevent self-disconnection; and to target help and support to those in need. The discussion included traditional and smart meters.

We expect smart metering to address many of the causes of self-disconnection caused in error, and to help minimise time off-supply when disconnection occurs. This can be done, for example, by providing remote top-up options, low credit warnings and non-disconnection periods.

Citizens Advice will continue to monitor self-disconnection and work with suppliers to ensure that vulnerable consumers are able to access energy. Following on from our workshop, this winter Citizens Advice plans to publish examples of good practice by suppliers when a prepayment meter user self-disconnected. This will include examples of immediate help, as well as any long-term support or programmes helping consumers to avoid self-disconnection.

Smart meters and disconnections for debt

Data notes

Load limiting (also known as trickle disconnection) is where the flow or amount of electricity supplied to a customer is restricted[48].

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[49].

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[50]. In quarter 3 2012 (July – September 2012) we introduced new reporting requirements to allow us to monitor their use.

[47] Citizens Advice's Extra Help unit handles complaints if a consumer cannot pursue their complaint with their supplier because of: the urgency of their situation eg debt collection action or unmanageable payment arrangement; their personal circumstances mean the consumer is unable to deal with the matter themselves; the complexity of the problem, which makes it difficult for the consumer to deal directly with their supplier and requires expert help to resolve their problem.
[48] SLC 1 of the electricity supply licence.
[49] SLC 1 of the electricity and gas supply licences.
[50] SLC 27.9A of the electricity and gas supply licences.

Remote disconnection

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

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 are 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.

Suppliers reported that they did not carry out any remote disconnections during January-December 2014. 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

No supplier reported using load limiting or credit limiting functionality in 2014. As part of the 2011 'Spring Package' we introduced supply licence modifications defining load limiting and credit limiting and the circumstances in which they would be considered tantamount to disconnection (and therefore subject to protections associated with disconnection)[51].

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 before using any load limiting functionality. We expect this commitment to apply where suppliers are planning to use load limiting functionality in any form in the domestic sector, including where a supplier intends to run a trial[52].

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

5. Priority Services Register (PSR)

Chapter Summary

The chapter shows key trends in suppliers’ use of their PSRs to identify and assist customers in vulnerable situations as required by the licence conditions. It provides the total number of customers listed on suppliers’ PSRs, with a breakdown for England, Scotland and Wales. It also shows a breakdown of customers registered to receive individual services, and looks at suppliers’ provision of free gas safety checks. Finally, the chapter reviews progress on the PSR review.

Priority Services Register - current arrangements

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, remains 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 they may need additional help when there is an interruption to their supply.

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.

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

DNOs and GDNs also have similar obligations to provide certain services to specific customer groups, including services for consumers who are at risk if the supply of electricity or gas to their home is interrupted[53].

SLC 26.8 requires suppliers to publish information about their obligations to maintain a PSR. Suppliers must make this information readily accessible from their website and tell their domestic customers about it at least once a year[54].

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[53] Standard Condition 10 of the Electricity Distribution Licence (“Special Services”) and Standard Condition 17 of the Gas Transporter Licence (“Provision of services for domestic customer groups”).

Table 11: List of current PSR services and eligibility criteria specified by the licence[55]

Service	Customers eligible
Password scheme – to help customers identify energy company representatives	• Disabled • Chronically sick • Pensionable age
Quarterly meter readings	• Disabled • Chronically sick • Pensionable age Where nobody in the household can read the meter
Moving a prepayment meter	• Disabled • Chronically sick • Pensionable age If they cannot make payments through their 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
Free gas appliance safety check[56]	• Customers who live with others, at least one of whom is under the age of five OR customers that are chronically sick, disabled or of pensionable age and either

[54] Standard Condition 26.8 of Electricity and Gas Supply Licences.
[55] As specified in Standard Condition 26 of the gas and electricity supplier licences ("Services for specific Domestic Customer groups"), unless otherwise stated.
[56] As specified in Standard Condition 29 of the gas supply licence ("Gas Safety"). This is not a PSR service; however, it has been reviewed as part of the PSR Review 2014.

Service	Customers eligible	
	(i)	Live alone or
	(ii)	Live with others, all of whom are chronically sick disabled, of pensionable age or under 18.
	Must receive means tested benefits and own their own home.	

Number of customers on Priority Service Registers

Table 12 shows that in 2014, 2.9 million electricity customers (11%) and 2.3 million gas customers (10%) were listed on suppliers' PSRs in Great Britain. This is 10% more and 11% more respectively than in 2013. This was third consecutive year of the increase in the number of customers on the PSR.

The proportion of customers on the PSR in Scotland was 2 percentage points below the GB average for electricity and 1 percentage point below the GB average for gas. The proportion of consumers in Wales who were on their suppliers' PSR was the same as elsewhere in GB for electricity and one percentage point higher for gas. This is a similar picture to the one observed during the previous two years.

Table 12: Number of customers on a PSR (million) and the percentage of customers on a PSR, 2012-2014

Country/Year	Electricity		Gas	
	Number of customers (million)	% of all customer accounts	Number of customers (million)	% of all customer accounts
Great Britain				
2012	2.4	9%	1.9	8%
2013	2.7	10%	2.1	9%
2014	2.9	11%	2.3	10%
Change, 2012-2014, %	23%		22%	
Change, 2013-2014, %	10%		11%	
England				
2012	2.0	9%	1.6	9%
2013	2.3	10%	1.8	9%
2014	2.5	11%	2.0	10%
Change, 2012-2014, %	24%		22%	
Change, 2013-2014, %	11%		11%	
Scotland				
2012	0.2	8%	0.1	7%
2013	0.2	9%	0.2	8%
2014	0.2	9%	0.2	8%
Change, 2012-2014, %	14%		20%	
Change, 2013-2014, %	3%		8%	

Country/Year	Electricity		Gas	
	Number of customers (million)	% of all customer accounts	Number of customers (million)	% of all customer accounts
Wales				
2012	0.1	9%	0.1	10%
2013	0.1	10%	0.1	10%
2014	0.2	11%	0.1	11%
Change, 2012-2014, %	21%		20%	
Change, 2013-2014, %	8%		10%	

In 2014 just over 1 million customer accounts were registered for a number of PSR services:

- 374,140 gas and electricity customer accounts were registered for quarterly meter reads
- 310,369 gas and electricity customer accounts were registered for third party billing/bill re-direction
- 213,910 gas and electricity customer accounts were registered for password schemes
- 105,922 gas and electricity customer accounts were registered for Braille/large print bills.

In the 2013 SOR Annual Report, we noted our concerns that PSR may not be delivering the most to consumers who could benefit from it and indicated that we would review the PSR. We describe our PSR Review and next steps in the section below.

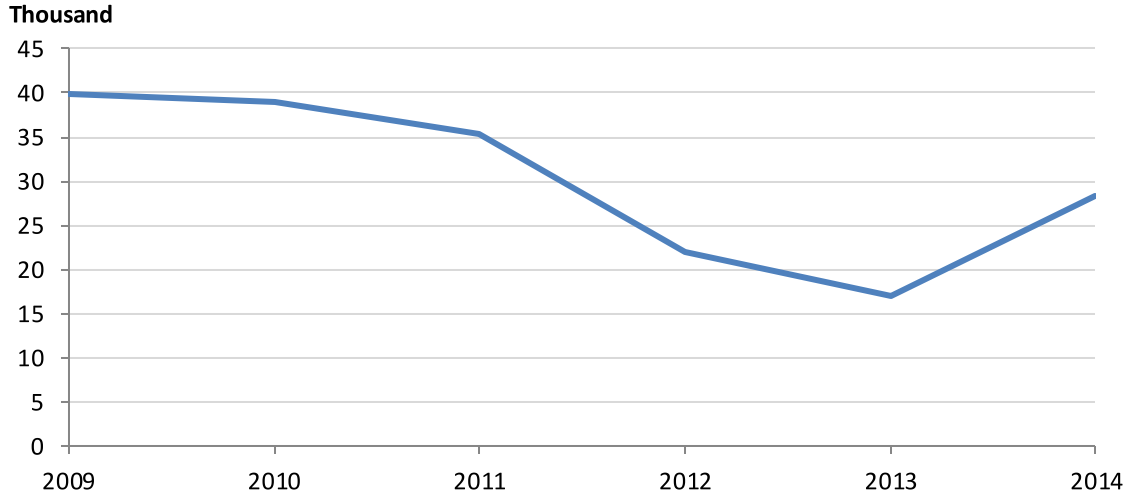
Free gas safety checks

In recent years we have been particularly concerned about the decline in the number of free gas safety checks carried out by suppliers.

In 2014, around 28,000 free gas safety checks were carried out in Great Britain, compared to around 17,000 free gas safety checks carried out in 2013 (Figure 18). This is an increase of 66%. While we welcome a reversal of the decline observed during 2009-2013, this is still 30% less than in 2009, when around 40,000 free gas safety checks were carried out. No supplier reported that they refused to provide a check.

We have been working with suppliers as part of our PSR Review (described below) to identify the reasons behind this trend. We are planning to report on this in our Final Proposals which we will publish towards the end of the year.

Figure 18: Number of free gas safety checks carried out in GB, 2009-2014



Review of the Priority Services Register

Our research suggests that only 24% of consumers are aware of any non-financial support provided by energy companies to customers in vulnerable situations and around one in ten are able to name a PSR service without being prompted[57]. Further we found that the existing PSR scheme needs a clearer objective and should be better targeted to provide effective support for customers in vulnerable situations.

In light of this, between July-September 2014 we carried out a Review of the Priority Services Register[58]. The consultation sought views on a number of proposals aiming to ensure that consumer protections in this area remain effective. Although this was not strictly a PSR service, we nonetheless included suppliers' provision of free gas safety checks within the scope of our review because of the trends we identified in the uptake of this service. We proposed replacing the current PSR licence requirements with ones that are more clearly focused on improving the experience of customers with additional safety, communication and access needs. In March 2015 we published an update and next steps on the PSR review[59] based on stakeholder feedback.

Key to our approach is for energy companies to identify and record customers who need additional services. Currently, eligibility is based on limited criteria. Our proposals will take into account the additional communication, access or safety needs of any customer that needs a service, including those without internet access, who

[57] https://www.ofgem.gov.uk/publications-and-updates/research-priority-services-register-and-non-financial-support-vulnerable-energy-consumers-report-ipsos-mori
[58] https://www.ofgem.gov.uk/publications-and-updates/review-priority-services-consultation
[60] https://www.ofgem.gov.uk/publications-and-updates/review-priority-services-register-update-and-next-steps

have temporary health problems or mental health issues. We have proposed to retain a core 'high-risk' priority group for services related to being off-supply to give customers peace of mind. We have proposed to expand this core group to include households with children under 5 and pregnant women (free gas safety checks only), and refined the pensionable age group to include those 75 and over, so it is focused on those most in need. Disabled and chronically sick customers will continue to be identified as 'high-risk' customers and remain in the core group.

In addition, our proposals will mean that services are better tailored and targeted to provide better overall support, and energy companies will also be required to share customer data with customer consent between themselves more consistently.

The aim of our proposals is 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. We will be publishing Final Proposals towards the end of the year and expect these changes to come into force in 2016. We will monitor their impact through revised Social Obligations Reporting data and Standards of Conduct Panel reporting. For details of our proposals please refer to our Open Letter[60].

[60] https://www.ofgem.gov.uk/publications-and-updates/review-priority-services-register-update-and-next-steps

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 May 2015. '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, PPM or Fuel Direct customers (see paragraph 2.9). It should exclude customers who have begun the transition to a formal debt repayment arrangement, but have not yet started repaying their debt (https://www.ofgem.gov.uk/publications-and-updates/directions-issued-gas-and-electricity-markets-authority-pursuant-paragraph-3-standard-licence-condition-32-reporting-performance-electricity-supply-licence-and-gas-supply-licence).

D

Debt repayment arrangement

As defined at paragraph 2.14 of our Guidance on monitoring suppliers' performance in relation to domestic customers, published May 2015. '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 (https://www.ofgem.gov.uk/publications-and-updates/directions-issued-gas-and-electricity-markets-authority-pursuant-paragraph-3-standard-licence-condition-32-reporting-performance-electricity-supply-licence-and-gas-supply-licence).

E

Energy Best Deal (EBD)

Ofgem and Citizens Advice customer awareness campaign (https://www.ofgem.gov.uk/publications-and-updates/energy-best-deal-booklet-2014-15).

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) (http://www.energy-uk.org.uk/).

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 (https://www.gov.uk/bills-benefits).

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 (http://www.energy-uk.org.uk/publication.html?task=file.download&id=3155).

Six Largest Suppliers

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

Snapshot debt

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

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 (https://www.ofgem.gov.uk/about-us/how-we-work/working-consumers/supplier-performance-social-obligations).

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) (https://www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-conditions).

T

Take-on debt

The average level of debt associated with gas and electricity accounts that customers agreed to repay at the start of their formal repayment arrangement.

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 (https://www.ofgem.gov.uk/publications-and-updates/consumer-vulnerability-strategy).

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

W

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.