



Making a positive difference
for energy consumers

All suppliers and other interested parties

Direct Dial: 020 7901 1820
Email: SORHelpdesk@ofgem.gov.uk

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Decision on changes to Social Obligation Reporting to include data points to monitor the smart prepayment market

Introduction

In our decision on smart prepayment (PPM) for a smarter market,¹ we stated that to protect the interests of smart PPM customers we would monitor closely this part of the market through adding new data points to the Social Obligation Reporting (SOR).

In response to feedback from respondents who raised concerns that some of our proposals may be too burdensome, we re-consulted (in May) on two changes to our original package of SOR monitoring points.² These changes were:

- introducing a new SOR data point to collect the number of times a supplier's customer base tops up per top-up channel
- amending the start reporting date for the proposed data point to collect at both quarterly and annual frequency, the number of smart meter customers using prepayment and credit modes.

This letter sets out our decision to confirm the changes we consulted on in May and should be read alongside the updated direction and guidance on the SOR.³ The guidance includes details of all data points, including those we are introducing to give us the insight we require into the smart PPM market.

¹ Ofgem, March 2016, *Smart prepayment for a smarter market consultation*: www.ofgem.gov.uk/system/files/docs/2016/03/smart_prepayment_for_a_smarter_market_-_final_0.pdf

² Ofgem, May 2016, *Consultation on proposed changes to the SOR requirements* www.ofgem.gov.uk/system/files/docs/2016/05/open_letter_smart_prepayment_-_consultation_on_revised_smart_prepayment_sor_data_items_-_may_2016.pdf

³ The updated direction and guidance can be found at 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-0

The SOR

Suppliers are required under Standard Licence Condition (SLC) 32 to submit information quarterly and annually on their dealings with domestic gas and electricity customers – we refer to this as the social obligations monitoring. This data covers a range of areas, including debt levels, disconnection rates, prepayment meters, smart meters, payment methods used by customers and help for vulnerable customers.

The information is used to review suppliers' performance in relation to specific social obligations, including areas where vulnerable customers may be affected. By monitoring these statistics, Ofgem can identify areas of suppliers' policies and practices where improvements are needed. We report on this information publicly through our website.

Please be aware that suppliers are responsible for submitting accurate and timely information on social obligations. If they fail to do so they may be in breach of their licence which may lead to formal action to be determined by the Authority.

Decision on changes to SOR requirements

In September 2015 we consulted on proposals to monitor the use of smart PPM functionalities by adding new data points to the SOR.⁴ As stated in our March decision, respondents broadly agreed with the specific data points for inclusion.⁵ However, some respondents raised concerns over our original approach to monitor the availability of cash as a top-up method, arguing it would be overly burdensome.⁶ We recognised this concern and, in response, we issued a further consultation in May on two changes to our original package new data points in the SOR.⁷

Our decision

The majority of respondents to our May consultation agreed with our proposal to include SOR data points on the number of times a supplier's customer base tops up per top-up channel and on the number of smart meter customers using PPM and credit modes. Respondents, by and large, also agreed with the frequency and start date for the reporting of this data.⁸ Full details of the responses and our views against specific challenges are included in the annex to this letter.

Given the level of agreement from industry we have decided to update the SOR with these two data points. Suppliers are required to submit data for these on 28 January 2017, the annex below and guidance provides further detail on what exactly must be submitted.

⁴ Ofgem, September 2015, *Smart prepayment for a smarter market: our proposals*: www.ofgem.gov.uk/sites/default/files/docs/2015/09/ofgem_smart_prepayment_proposals_0.pdf

⁵ Ofgem, March 2016, *Smart prepayment for a smarter market*: www.ofgem.gov.uk/system/files/docs/2016/03/smart_prepayment_for_a_smarter_market_-_final_0.pdf

⁶ Our original proposal sought to monitor the number of consumers who have actively asked for alternative top-up methods so as not to require cash as a payment option

⁷ Ofgem, May 2016, *Consultation on proposed changes to the SOR requirements* www.ofgem.gov.uk/system/files/docs/2016/05/open_letter_smart_prepayment_-_consultation_on_revised_smart_prepayment_sor_data_items_-_may_2016.pdf

⁸ For data on top up by channel we will collect this data on an annual basis and suppliers will begin reporting on 28 January 2017, for the January-December 2016 annual reporting period. For data on the number of smart meter customers using prepayment and credit mode, suppliers will begin reporting on 28 January 2017 for quarter 4 (October – December) 2016.

Next steps

Alongside this letter we have also published an updated direction from the Authority compelling all suppliers to provide us with SOR data. This direction also includes guidance on each data point. We expect suppliers to review this carefully and ensure they have adequate processes in place to collect and report on this data.

Should you have any queries about the SOR please contact Michal Frances at SORHelpdesk@ofgem.gov.uk.

Yours sincerely,

Anthony Pygram
Partner, Consumers and Competition

ANNEX – Detailed information on consultation responses and our view

We received 12 responses from our consultation from the following:

- British Gas
- Centre for Sustainable Energy
- Citizens Advice
- EDF
- E.ON
- Economy Energy
- Ecotricity
- First Utility
- npower
- Scottish Power
- SSE
- Utilita

The availability of cash as a method of top-up

In our May consultation we reaffirmed our view that it is important to monitor the availability of cash as a top-up method. To monitor this in a proportionate way we proposed to collect data on the number of times a supplier's customer base tops up per top-up channel. We view this as less burdensome than our original proposal.⁹

Respondents view

All but two respondents supported our proposal. The challenges we received were:

- One respondent disagreed with our proposal, arguing that the objective of monitoring cash as a top up is not sufficiently clear.
- This respondent also stated that it would be more informative to get data on the proportion of customers that regularly top up by channel over time, rather than the raw number of times customers top up by channel.
- One respondent gave qualified support, arguing they preferred the original proposal and if we continue with the new proposal, the data we get back alone would not provide enough information on whether suppliers were continuing to offer cash as a top up method.
- A respondent who supported the proposal said it could be more easily obtained by asking suppliers (yes/no) whether they offer cash as a top-up method.

Our view

We consider that the rationale for collecting this data is sufficiently clear. We know that a number of vulnerable customers do not have a bank account and/or choose to manage their finances through cash alone. Supply Licence Condition 27.1(a)(i) requires suppliers to offer cash as a top up method for prepayment meters.¹⁰ By monitoring the number of top-ups by channel we will be able to identify if a particular licensee's customers significantly reduce the number of times they top-up using cash, tracked over time. We can then undertake further investigation to determine whether any differences are

⁹ We originally intended to monitor the number of consumers who have actively asked for alternative top-up methods so as not to require cash as a payment option.

¹⁰ Suppliers are only exempt from this obligation only when a consumer specifically asks for an alternative top-up method

because the customer base is choosing to use alternative channels or because the customer base is finding it difficult to top-up using cash. In undertaking any further investigation, we agree with the respondent who commented that we would need to use additional data sources in conjunction with SOR data.

With regards to the suggestion that we could simply ask suppliers a yes/no question on whether they offer cash as a top-up method/channel, doing this would not provide us with the data required to identify trends. Analysing trends is central to understanding how suppliers are meeting their obligation. Furthermore, by obtaining the raw numbers we will be able to report proportions topping up by various channels and also do further analysis if required.

Collection of data on number of smart meter customers and the frequency and start date of collection

As well as data on top up channels, our May consultation sought views on our proposal to align the collection of data on smart PPM customers with the data we collect on the total number of smart meter customers. We also sought views on the frequency and start date from which we intend to collect both data points:

- For the data point on top-up by channel this is annual reporting, beginning on 28 January 2017 for the whole of 2016
- For the data point on smart PPM and credit customers this is quarterly reporting, beginning on 28 January for Q4 2016.

Respondents view

The majority of respondents supported the inclusion of a data point in the SOR on number of smart PPM customers and on the frequency and start date of collection.

- One respondent felt that starting reporting in 2017 would be overly burdensome as it would require system changes.
- This respondent also said our suggested retrospective approach – ie obtaining 2017 for data collected in 2016 would lead to inaccuracies.
- One respondent argued that the data on top-up by channel should be collected quarterly to give greater clarity on trends and the impact of seasonality.

Our view

Aside from the supplier who raised it, no other supplier had an issue with collecting data now and reporting it in 2017 and we consider that the notice given is sufficient for suppliers to prepare adequately. With regard to potential issues with collecting the data retrospectively; this is an approach we have taken in the past and, again, we consider the notice given should be sufficient for suppliers to do any data validation they consider necessary to ensure their submissions are accurate.

The reason for collecting top-up channel annually is to be able to trace long-term trends to help identify if suppliers are not offering cash as a top-up method; we do not consider it necessary to collect quarterly data for this purpose.