



Action for Warm Homes

National Energy Action response to Ofgem consultation:

Prepayment meters installed under warrant – statutory consultation

Response deadline: 29 August 2017

About NEA

National Energy Action (NEA) is the national charity seeking to end fuel poverty and tackle exclusion in the energy market at a local and national level. We work across England, Wales, Northern Ireland, and with our sister charity Energy Action Scotland, to ensure that all UK households can afford to live in a warm, dry home.

Consultation response

NEA thanks Ofgem for the opportunity to comment on the proposals and draft licence conditions in this statutory consultation. We strongly support the preferred option of *prohibition plus proportionality plus cap* and are pleased to see the regulator taking decisive action to end high and inconsistent warrant charges for energy consumers. In particular, we welcome Ofgem's recognition that prescription is required in this area to achieve consistent outcomes for consumers and protect the most vulnerable from harm. When combined with the new vulnerability principle we are hopeful that proposed changes to the licence will facilitate improved action from suppliers to identify, respond to and protect vulnerable consumers in debt. We have no specific comments on the licence conditions as drafted however outline below some key points with regard to the proposed changes.

Prohibition on suppliers using warrants in certain exceptional cases

NEA supports the prohibition but notes that Ofgem's own Impact Assessment finds that suppliers are most successful at identifying vulnerability at the warrant execution stage, when entry is made to the property.¹ Ofgem recognises this may be because vulnerability impairs engagement with the warrant process which is particularly true for consumers suffering from mental capacity or psychological issues, who are the subject of this proposed prohibition. As such, NEA stresses suppliers will need to complement efforts to pre-identify consumers at risk of suffering trauma from force-fitting a prepayment meter (PPM) with robust policies and processes which direct warrant execution teams to abort PPM installations if consumers fitting the 'exceptional cases' criteria are identified whilst in properties. Staff executing warrants will require training to identify these cases and treat consumers fairly. Ofgem should therefore monitor both upstream and downstream supplier compliance with this licence condition.

¹ https://www.ofgem.gov.uk/system/files/docs/2017/06/prepayment_meters_installed_under_warrant_-_impact_assessment.pdf

On the change in the licence drafting to restrict the prohibition to consumers vulnerable due to their mental capacity or psychological state, NEA agrees this is an appropriate group in the context of forcing entry to a property. However we stress the group of consumers for whom a PPM will not be an appropriate payment method is much wider. For example, bill payers with a physical disability. NEA requests Ofgem closely monitor supplier action to ensure that licence holders are fulfilling their duties under SLC27.6 and that the prohibition proposed under 28B.1 does not have the unintended consequence of restricting the pool of consumers to which suppliers apply the 'safe and reasonably practicable' test.

Prohibition on suppliers levying warrant-related costs in certain cases

NEA strongly supports the prohibition on charging consumers warrant costs in cases of vulnerability, including financial vulnerability. We expect suppliers to use industry updates to the Priority Services Register (PSR), along with the new vulnerability principle, to improve identification of consumer vulnerability in order to apply the fee waiver. Additionally, in cases where severe financial vulnerability has been identified under 28B.2, we draw Ofgem's and suppliers' attention to the opportunity to not only waive the warrant fee but then support a consumer with complementary services offered by the supplier or a third party, including income maximisation and energy efficiency.

Capping warrant charges at £150

NEA supports the cap and stresses standardising warrant charges is much needed to bring transparency and consistency to what is currently a confusing and opaque process. To this end we also support standardised warrant application processes and templates mooted at page eight of the consultation. Without evidence, we are sceptical of suppliers' claims that capping costs will lead to consumer disengagement; noting £150 remains a significant amount for any consumer but particularly those in debt due to low income. NEA's main concern with the cap is the risk identified by Ofgem that suppliers will default to charging up to the cap where previously more generous waivers may have been applied. If the definition of vulnerability under 28B.2 is narrowly interpreted by licensees then a pool of low income consumers could lose out under the new conditions. Ofgem will need to carefully monitor this situation to ensure the changes do not unintentionally increase detriment for low income consumers falling outside of suppliers' fee waiver policies.

Introducing a proportionality principle

NEA supports and welcomes this principle. Alongside discouraging suppliers shifting debt recovery costs upstream of the warrant process, as well as preventing them from charging consumers up to £150 to recover a proportionately small amount of debt, NEA would like to see suppliers interpret the principle in order to set debt recovery levels at the lowest amount possible where financial vulnerability is present. NEA notes this is not currently occurring across all suppliers and that in some cases debts are being recovered at an average weekly amount of up to £15 per fuel. This is far more than low income consumers in debt will be able to service in addition to their energy needs.²

² https://www.ofgem.gov.uk/system/files/docs/2016/10/monitoring_social_obligations_-_2015_annual_data_report.pdf

Other issues affecting PPM consumers

Whilst noting the remit of this consultation is PPMs installed under warrant, NEA takes this opportunity to remind Ofgem the regulator's own review identified a much wider range of barriers facing PPM consumers.³ In particular, NEA remains concerned that PPM users are locked out of accessing the most competitive tariffs in the energy market. The PPM price cap, while welcome, does not directly address this issue. Instead, more effort needs to be made across industry to switch consumers off PPMs and onto credit meters in order to access the best deals. However, the reverse is happening: in 2015 over twice the numbers of PPMs were installed as the number of consumers who switched to credit.⁴

NEA is of the view this net increase in consumers – many of whom are vulnerable – switching to a payment method that is more expensive and more restrictive is unacceptable. Efforts across industry need to focus on installing fully functional and interoperable smart PPMs, including in cases of debt recovery, and thereafter equalising tariffs between smart prepay and smart credit. In addition, Ofgem needs to clarify consumer protections when suppliers switch their customers with smart meters from credit into prepayment mode in cases of debt recovery. Without the requirements for property entry as currently occurs under the warrant process, NEA is concerned credit to prepay switching that happens remotely will negatively impact supplier engagement with their indebted consumers, including face-to-face engagement. We hope Ofgem consults further on this matter and look forward to working with industry to ensure vulnerable consumers in debt are adequately identified and supported in a smart PPM market.

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³ <https://www.ofgem.gov.uk/publications-and-updates/prepayment-review-understanding-supplier-charging-practices-and-barriers-switching>

⁴ https://www.ofgem.gov.uk/system/files/docs/2016/10/monitoring_social_obligations_-_2015_annual_data_report.pdf