

Prepayment self-disconnection and self-rationing: a call for evidence

Energy UK Response December 2018

About Energy UK

Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership covers over 90% of both UK power generation and the energy supply market for UK homes. We represent the diverse nature of the UK's energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 27 million homes and every business in Britain. Over 680,000 people in every corner of the country rely on the sector for their jobs, with many of our members providing long-term employment as well as quality apprenticeships and training for those starting their careers. The energy industry invests over £12.5bn annually, delivers around £84bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HMT.

These high-level principles underpin Energy UK's response to Ofgem's call for evidence on prepayment self-disconnection and self-rationing. This is a high-level industry view; Energy UK's members may hold different views on particular issues, and may send in individual responses. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

Executive Summary

Energy UK is grateful for the opportunity to respond to this call for evidence on behalf of its members. We also welcome the fact that Ofgem is seriously looking at the issue of prepayment meter (PPM) self-disconnection and self-rationing, and we are aware that the Department for Business, Energy and Industrial Strategy are also looking at this. We would urge close working on self-disconnection between BEIS and Ofgem, and Energy UK is happy to be of assistance where we can.

There has been great progress made on disconnections for reasons of debt on credit meters, with Ofgem's most recent Vulnerability Report highlighting that there were only 17 disconnections for this in the UK last year. We would also highlight Energy UK's PPM principles that currently exist to provide some protection for PPM customers, with 16 suppliers now signed up.

We do, however, recognise that the number of PPM customers self-disconnecting has not decreased in recent years, as borne out by Citizens Advice survey on this, which stated that c.140,000 households self-disconnected. Of particular concern was that the survey found that only 9% of PPM customers who self-disconnected actually contacted their supplier. This, therefore, makes it hard for suppliers to actually be aware when a customer has self-disconnected, and means suppliers cannot offer the help and support the vast majority would like to. It is important Ofgem recognise that there is no 'easy-fix' for this issue. With traditional PPM's suppliers have very limited information about customer behaviour based on vends, making hard if not impossible for suppliers to accurately monitor and identify self-disconnection and self-rationing. Based on what limited information they have at their disposal, suppliers then have to make difficult decisions about how and when to intervene in their customers lives. We note that Smart PPM's will help suppliers to address these limitations.

It is important to note that a major factor as to why customers self-disconnect and self-ration, which was not mentioned in this call for evidence, is the wider issue of affordability beyond just energy. Suppliers

are seeing more and more customers struggling to make ends meet. This is part of a wider discussion to be had around where the responsibility lies. This is not simply an issue of energy prices or fuel poverty, but poverty more generally, and Ofgem, therefore, need to recognise this issue when considering self-disconnection and self-rationing. Within this are the problems that have been caused by the roll-out of Universal Credit, which highlight the wider role that Government has in this. We also note that it is disappointing that energy efficiency is not mentioned in the call for evidence as a long term, enduring solution to helping with the affordability of energy.

Responses to Questions

Q1: Are there any categories that we have not captured in Table 1? We welcome views and evidence on the main causes of self-disconnection and groups of customers who are more likely to self-disconnect and experience detriment.

Energy UK believes that the categories captured in table are broadly sufficient. The key areas identified, affordability, operational and forgetfulness, should cover the reasons why people self-disconnect. It is also important to consider some less obvious groups of customers who may self-disconnect, such as students, people struggling with addictions, homes with poor energy efficiency, young care leavers, and rural households. The effect the roll-out of Universal Credit is having, in particular the wait to start receiving benefits, has been highlighted by many suppliers and 3rd sector organisations as a major detriment to PPM customers.

Energy UK does not hold evidence of the type asked, but individual suppliers may be able to provide some. Citizens Advice are also a trusted source on this issue. We would again stress the point made in the executive summary around general affordability, and people simply not having enough money to make ends meet.

Q2: We seek views and evidence on how self-disconnection and self-rationing is being monitored for customers on traditional PPMs. We welcome views on how effective current practices are.

Different suppliers will have different measures for monitoring self-disconnection and self-rationing of their customers on traditional PPMs, and may go into detail in their own responses. A common theme is how difficult monitoring for self-disconnection and self-rationing is for suppliers. With traditional PPM's suppliers have very limited information about customer behaviour based on vends, making hard if not impossible for suppliers to accurately monitor and identify self-disconnection and self-rationing.

The challenge faced by suppliers to monitor this is finding the right balance of tracking customers vends and when to contact them. This is something suppliers have highlighted, as too short a timeframe risks needlessly irritating customers when nothing is wrong, and leaving it too long before contacting risks being too late and unable to prevent and/or assist with the self-disconnection and self-rationing.

Smart PPMs will help with identifying when a customer self-disconnects and is self-rationing. Therefore, it is not clear why Ofgem appear to have focused on traditional PPMs.

Q3: We seek evidence of examples where PPM customers were at risk of self-disconnection or who self-disconnected for affordability and/or operational and/or forgetfulness reasons, the impact on these customers, and how the situation was resolved.

The most illustrative examples Energy UK has seen on this have come from organisations such as Citizens Advice, National Energy Action and other similar charities. Suppliers will also be able to give useful examples.

Energy UK is happy to work with Ofgem to liaise with suppliers to find further specific examples if necessary.

Q4: We seek views on what great support service looks like for customers at risk of self-disconnection or who self-disconnect. We welcome examples of supplier good practice in dealing with self-disconnection and self-rationing.

Similar to the above questions, suppliers and organisations/charities will be able to give examples. Energy UK is keen to point out that many measures are at the point of self-disconnection due to the difficulty in monitoring, and improved energy efficiency should be considered as a preventative measure also.

A key point to consider is, as mentioned previously, it is worrying that Citizens Advice found that only 9% of customers who self-disconnect actually contact their supplier, as suppliers can and do want to help customers who genuinely need it. This means that suppliers often only find out after a customer has self-disconnected, and through a third-party.

Q5: We welcome views from all stakeholders on the emergency, friendly, and discretionary credit functions. How well do you think these features work?

Again, suppliers and organisations will be able to provide examples and illustrate how well these features work. While the measures highlighted can help alleviate a crisis, they are not long-term, sustainable solutions that tackle the issue of customers not being able to afford their energy usage in the first instance.

Q6: We welcome examples of any recent good practice examples on steps taken to provide sustainable support to PPM customers who self-disconnect and/or self-ration.

The most illustrative examples Energy UK has seen on this have come from organisations such as Citizens Advice, National Energy Action and other similar charities. Suppliers will also be able to give useful examples.

Energy UK is happy to work with Ofgem to liaise with suppliers to find further specific examples if necessary.

Q7: We welcome views on how you perceive the collaboration between stakeholders should operate and what type of organisations you believe will play a central role in this process.

The roll-out of Smart PPMs will open opportunities for suppliers to find new ways to identify customers who are self-disconnecting and self-rationing, and this will mean suppliers can step in earlier and direct customers towards where they can find help and advice. There are already good examples of existing support and partnership working between suppliers and third-parties, which we anticipate members will highlight in their individual responses.

For any further questions or enquires please contact Tom Marsland: tom.marsland@energy-uk.org.uk or 020 7747 2957.