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Dear Mr Pygram,

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

Thank you for the opportunity to respond to this Call for Evidence. Self-disconnection and self-rationing are very difficult areas to assess. We were the first supplier to install a smart prepayment meter and since 2008, we have since specialised in supporting a previously poorly served sector of the energy market. We provide excellent smart prepayment services, and can draw from over ten years' experience of providing support to some of the most vulnerable energy consumers in Great Britain.

Our smart prepayment portfolio is one of the largest in the industry with just under 90% of all our domestic customers using a smart prepayment meter. While prepayment is not a proxy for vulnerability, we do have a significant number of customers on our portfolio in vulnerable circumstances. For example, around 17% of our portfolio are on the PSR. While this is not a measure which includes all our vulnerable customers, it is indicative.

A Pay As You Go arrangement is an effective tool for helping customers who want to budget and limit debt, or who simply prefer to pay in advance and know exactly what they are spending day-to-day. These arrangements work effectively outside of the energy industry in areas such as mobile phone contracts and broadband which are increasingly thought of as essential services.

Self-disconnection is a side-effect of not paying in advance for energy supply through the prepayment meter. There are many reasons why self-disconnection occurs, not all these reasons are out of the customer's control. Self-disconnection is often an intended outcome for customers who may want to limit their energy (this is particularly apparent over the summer, where some customers prefer not to use their gas supply in the warmer weather). Therefore, while self-disconnection and self-rationing are a major problem for some customers, they should not be considered as harmful in each and every case. Equally, self-rationing, when occurring as part of a drive towards the efficient use of energy, may not be a problem. The process of distinguishing the intentional self-disconnection or self-rationing

from customers who are struggling is both difficult and emotive, and must be managed sensitively.

The recent changes to the Supply Licences are helping suppliers place increased focus on customers in financial difficulty or where they are experiencing other temporary vulnerabilities. A range of payment options are made available to the customer, as well as consideration of their needs and circumstances to support the customer in both managing their current consumption and reducing outstanding consumption charges. However, in most cases, a smart prepayment meter provides a flexible and convenient way for the customer to manage their energy bills.

Smart prepayment meters give customers an outstanding level of transparency over both energy consumption and spend. This functionality helps customers identify short spikes or patterns in the amount they are using over time. In addition, using the smart data, experienced advisers can give customers tailored energy efficiency advice, to help them use the energy they are buying more efficiently.

Prepayment is the area in which smart meters offer the most benefits in terms of customer experience. Smart prepayment is a world away from the inflexible, traditional prepayment meter service, which left customers tied to cards and keys and having to get to the shops to top up. Smart Pay As You Go lets customers top up how and when they choose, through a wide variety of methods. It provides extensive emergency and friendly credit facilities as well as discretionary credits which are available on a self-serve basis depending on eligibility. We welcome Ofgem's recognition of how different the customer experience is for smart prepayment customers, though it is clear the benefits are frequently underestimated. Moving existing prepayment customers into credit mode will often remove this flexibility and control, potentially pushing customers into more unmanageable debt.

In our Confidential Appendix, we have provided a breakdown of recent top-up methods chosen by our smart prepayment customers at point 1.

Ofgem requires, via the licence, that suppliers must make "an extra effort" to identify and respond to the needs of those in vulnerable circumstances. Although suppliers are not local authorities, charities or financial experts and cannot control customers' circumstances, we do recognise that vulnerable customers may need extra help and support. Suppliers have a vital role to play in helping such customers. We are using technology, for example our App, to offer help to customers who would otherwise be self-disconnecting due to lack of funds. We discuss our PowerUp facility in our response to Question 4.

We are alert to the difficulties our vulnerable customers face, and indeed have instituted an Extra Care Team with specific expertise in these areas. They offer customers advice on how to reduce their energy spend appropriately, and signpost to independent help and charities when required, while allowing customers the breathing space to be able to utilise any help offered. This does not mean that the supplier can or should be solely responsible for resolving the customers' issues. We discuss the work of this dedicated team in our responses to the questions below.

We have set out our responses to the more detailed questions in the call for evidence on the succeeding pages, with some additional information extracted into a short Confidential Appendix.

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.

The categories captured in the table should take into consideration houses of multiple occupancy such as student or house-shares and holiday homes. Consideration should also be given to customers who are living in temporary sheltered accommodation as well as taking account of seasonal effects and personal choices by customers.

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.

We have a small subset of customers with traditional prepayment meters (circa 8% of our total customer portfolio) and monitoring self-disconnections and self-rationing for these customers is more difficult than for our smart prepayment meter customers. For traditional prepayment meters, we receive messages from the meter through the D0188 flows. We have found these to be inaccurate in many scenarios and often they reset meter readings and credit accepted values. It is often not possible to accurately capture those customers that are in financial difficulty unless they contact us. Where they do contact us for help, the best solution is often a smart prepayment meter option.

Our report of customers on traditional meters who stop vending may often contain false positives and, where we rely on the data, it is difficult to reconcile the credit loaded onto the meter against the expected estimated consumption. A balance needs to be struck between making proactive contact to prevent self-disconnection and needlessly contacting the customer when they don't require help. Please see further information in point 1 of our confidential annex.

In our experience of contacting our traditional prepayment meter customers who have stopped topping-up as opposed to a temporary "off supply" situation, we cannot establish successful contact in the large majority of cases. This can be due to vacant homes or meter tampering concerns. There were no reported instances of the meter being off supply at the time of the engineer's visit.

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.

Utilita do not generally hear from customers who self-disconnect due to forgetfulness or not realising they had low credit, which according to Citizens Advice's report¹ makes up the vast majority of customers (almost 80%) who were surveyed. Our customers are generally proficient in reinstating their supply within hours by topping up using the five methods we have available without contacting us.

Prepayment customers will usually only call their supplier when they need help such as financial assistance or if they experience technical difficulties in topping up. As a

¹ Switched On – Improving support for prepayment consumers who've self-disconnected (2018)

predominantly smart prepayment meter supplier, a significant proportion of our call volumes occur at the start of the week (for example around 1/3rd of the total calls for November were made on Mondays). This is due to customers who require help to top up after their friendly credit hours and/or emergency credit runs out from the weekend. These customers are either off-supply or are very near to going off supply. Comparing to the call volumes on Fridays, when friendly credit hours kick in, we got closer to 10% of our total call volumes for the week.

In our experience, for the volume of customer-initiated contact, it is often young parents that make contact with us for account credit assistance. We have also noticed significant increases in credit requests associated with Universal Credit and either sanctions or delays to customers receiving benefits. A further difficulty experienced by such customers can be moving from a weekly or fortnightly payment schedule to needing to budget over the longer, Universal Credit period. We have also received anecdotal examples of customers being left vulnerable by only one person in the house receiving benefit payments. Prepayment can actually be beneficial in such cases.

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.

Our experience tells us that the vast majority of customers needing help only require short term financial support, rather than longer term support on an ongoing basis which we are not geared up to provide.

We offer help to customers in financial difficulty by giving them the ability (subject to modest eligibility criteria) to apply for an account credit which can be accessed by using our App or online portal. Where the customer is £6 or more into using their emergency credit, an option to "PowerUp" appears on their App home page. This gives the customer an option to select an emergency buffer in the form of an account credit, where they can't afford to top up. Detailed data on the performance of our PowerUp function is available in point 2 of our Confidential Appendix.

Our frontline staff have full authority to provide account credits to customers who may not be able to use the technology offered via our App and who do not have existing debt. Where the customer already has debt on their account, they are transferred through to the Extra Care Team to have a more detailed conversation about the effective use of energy consumption and where to locate independent charity help prior to lending for a final time. For out of hours contacts, the Extra Care Team prioritise call-backs to these customers before friendly credit hours finish.

The 'discretionary' credits are interest free and repaid by deducting a proportion of future top-ups. The same method is used for outstanding charges. The percentage per top-up repayment is adjustable depending on the customer's circumstances and ability to pay. In addition to adjusting the repayment rate, we can also agree to suspend a debt, for example if the customer is waiting for a Universal Credit payment.

For customers who need help operating their meter after a top up, we offer videos and self-help information via an automated chatbot solution and our website. We also use social media messages to support customers through troubleshooting.

We offer many services that smart prepayment customers find beneficial. The operational issues described in Ofgem's call for evidence suggest the use of standing charges and weekly debt repayment plans can cause customers to self-disconnect. Utilita does not operate a daily standing charge. Customers pay for what energy they use. If they choose not to use their meter, for example, don't turn on their heating over the summer months, the customer is not hit by a large debt built up on the meter from unpaid standing charges. This has proved very popular with our customers. For more information, please see point 3 in our confidential Appendix.

Our agents also signpost to charities such as StepChange when offering an account credit. All offer detailed energy efficiency advice. Customers tend to respond positively to receiving energy efficiency advice where they can be walked through how to use the IHD and actually see for themselves the changes in consumption. However, the timing of the advice is critical to having a productive conversation. Where the customer is off supply, distressed and requesting help, we first restore supply, before we hold the conversations to ensure the customer is not pre-occupied with being off-supply. We do also find that certain customers who experience sudden life changes (after being accustomed to a certain standard of living) can be very difficult to engage in cost-saving discussions.

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

We find that our customers generally like the emergency credit and friendly credit functions. We increased the emergency credit limit to £15 per meter and have also extended the friendly credit hours due to customer demand. We do have customers that prefer not to use their emergency credit or friendly credit options but generally, our customers continue to find it useful.

Our smart meters allow customers to top-up at any time of day, but allowing for friendly credit hours to cover the evening and weekend tends to tide customers over to their next pay day. Our discretionary credit offering is very popular with our customers, particularly those who are on low income or are in receipt of benefits.

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.

Please see our answer to question 4.

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 biggest challenge we experience in dealing with customers who frequently self-disconnect and make repeated requests for account credits is persuading customers to seek independent financial help or advice. We provide insight into the success of such referrals in our confidential appendix at point 4.

It should be acknowledged that suppliers are not charities or qualified to offer financial or debt advice. There will be a limit as to how much support we can offer without the customer taking steps to help themselves or follow up on advice/support offered.

We believe that an increased collaboration between Ofgem and charities to publish more information to consumers would help them in understanding the sources of advice available to them. This includes the very positive efforts and achievements of many suppliers supporting those most in need. Research shows that where consumers have energy debt, they are more likely to experience debt in other sectors. We consider that energy efficiency advice is crucial to helping consumers manage their energy most efficiently. However, further, more generic advice about how to effectively budget/manage household bills, how to prioritise debt and encourage a saving culture for a rainy day is needed at a social policy level.

This call for evidence is very welcome, however we feel strongly that any actions should be coordinated with other initiatives currently underway to ensure effort is not duplicated or wasted. The new Energy UK Vulnerability Charter is an outstanding example, which we believe will bring real benefit to vulnerable customers.

The key issue with self-disconnection and self-rationing where this is not a lifestyle choice however is the fact the customer is, almost always, in wider financial or personal difficulty. Despite the strong, positive efforts to offer help where it is needed, energy suppliers alone are not the solution. This is evidenced by the rise in food poverty (food banks), Universal Credit issues and families living in poverty. This is a much wider issue within our community, which needs coordinated social policy intervention at a national level.

We hope this submission has been helpful, and we would be happy to meet to discuss any points in more detail.

Yours sincerely

By email

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