

Consultation

Self-disconnection and self-rationing final proposals – statutory consultation

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This statutory consultation confirms our proposals to improve outcomes for consumers who self-disconnect, self-ration and struggle to pay their energy bills. In August 2019, we consulted on our initial policy proposals to strengthen protection for these consumers given the significant negative consumer impacts identified, particularly for those in vulnerable circumstances.

We have carefully considered the responses to our policy consultation, engagement with stakeholders, and we have taken into account initial impacts of COVID-19. We seek your views on a package of measures designed to ensure that prepayment meter customers are provided with a consistent level of support by their suppliers. This document is our statutory consultation on the draft licence conditions that would implement these proposals.

Subject to reviewing responses to this consultation, we expect to publish our licence modification decision notices later this year. Any licence changes would take effect 56 days after publishing the decision notices and our intention is for these protections to be in place by the end of 2020.

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Executive summary

Self-disconnection occurs when prepayment meter (PPM) customers go off supply because the credit on the meter has been exhausted or there are accessibility or technical difficulties with the meter. While there are a number of reasons why customers 'self-disconnect' this is often a result of financial pressures customers are experiencing.

The detriment experienced by customers who are self-disconnecting can be significant in some cases, particularly where the customer concerned is vulnerable and/or fuel poor. In line with our primary objective of protecting consumers, we committed to strengthening protections for PPM customers and those who are struggling with their bills as part of our Consumer Vulnerability Strategy 2025. Our work in this area complements government's wider work on affordability and fuel poverty. This is particularly important as we have seen an increase in the levels of self-disconnections over the past two years.

When carrying out our review into self-disconnection, we received evidence that there was variation in the levels of support offered to customers who were self-disconnecting, or struggling to pay bills, by suppliers and that the level of support offered by some suppliers fell short of our expectations. We therefore consulted on proposals to address these concerns in August 2019. The proposals aimed to raise standards regarding suppliers' identification of customers who were self-disconnecting; increase consistency regarding the provision of short-term support credit to customers in difficulties; and to ensure that suppliers were taking into account the customers' ability to pay when offering support.

The COVID-19 crisis has caused additional challenges for some PPM customers, particularly those who have experienced difficulty in topping-up their PPM whilst self-isolating and those who have been impacted financially as a result of the crisis. We have been working closely with government, industry and consumer groups to ensure that these issues are quickly identified and that appropriate support to consumers is given. As part of this, the government and industry have agreed on a package of emergency measures to help vulnerable people through COVID-19 and suppliers have stepped up to the challenge to support impacted PPM customers and those in financial difficulties.

In March 2020, we temporarily paused our reform of licence obligations in this area, to enable the energy industry to focus on the immediate and urgent priorities arising from the COVID-19 crisis. We consider that it is now time to resume this critical work as this is a priority area for Ofgem and the energy sector. Following consideration of stakeholder views' to our August consultation, the majority of whom supported our package of proposals, although had some comments on the specific proposals, this statutory consultation sets out a refined package of

proposals, designed to ensure that all suppliers are taking steps to identify and provide support to customers who are experiencing financial difficulties, including those who are at risk of self-disconnection. We are also consulting on the draft licence conditions that will underpin these proposals.

Our final proposals

Our final package of proposals consists of:

1. A new requirement on suppliers to take all reasonable steps to identify all PPM customers who are self-disconnecting and offer appropriate support in line with existing and new obligations.
2. New requirements on suppliers to offer emergency and friendly-hours credit to all PPM customers and to offer additional support credit to customers in vulnerable circumstances.
3. Enhanced requirements on suppliers with respect to providing support to all customers who are facing financial difficulties through the inclusion of new Ability to Pay principles in the supply licence. These will replace the existing principles which were introduced in 2010.

In addition, Ofgem will closely monitor the steps energy suppliers are taking to identify consumers in vulnerable circumstances who are self-rationing their energy use. This is to inform our assessment on whether further changes to the rules will be needed going forward.

Taken together, we expect the effects of our proposals to bring a sustained reduction in the number of PPM customers who are self-disconnecting each year, as they are given short-term credit to enable them time to top-up their PPM, and to bring more consistency of support by suppliers to enable customers to pay their energy bills.

Next steps

We welcome feedback on the revised final proposals and draft licence conditions set out in this statutory consultation. **Please respond to CDconsultations@ofgem.gov.uk by close of business on 24 August 2020.** Subject to reviewing responses to this consultation, we expect to publish our licence modification decision notices later this year. Any licence changes would take effect 56 days after publishing the decision notices and our intention is for these protections to be in place by the end of 2020.

1. Introduction

What are we consulting on?

1.1. In October 2019, we published our updated Consumer Vulnerability Strategy (CVS) 2025, which sets out our priorities to help protect gas and electricity consumers in vulnerable situations in the near future.¹ This is a statutory consultation on proposals relating to two of our key priorities for the first year of the CVS 2025:

- Strengthening protections for prepayment meter (PPM) consumers who are self-disconnecting, particularly those who are in a vulnerable circumstance. (Chapters 2, 3 and 4)
- Giving added prominence to the 'Ability to Pay' principles² in our rulebook to emphasise the need for targeted support to consumers facing payment difficulties. This includes customers on PPMs who may be at risk of self-disconnection and self-rationing as well as customers on credit meters who may be self-rationing their energy use. (Chapter 5)

Context and related publications

Context

1.2. There are a reported 4.3 million electricity and 3.4 million gas PPM consumers.³ PPMs require consumers to pay for their energy before it is consumed, which holds the risk of customers going off supply if they cannot top-up their meter. This is often referred to as 'self-disconnection', which means the customer experiences an interruption to their gas and/or electricity because the credit on the meter has been exhausted or the credit is not easily accessible. A closely related issue is that of self-rationing of energy use, with consumers deliberately limiting their energy use to spend money for other goods or services.

¹ Ofgem (2019) [Consumer Vulnerability Strategy 2025](#)

² Ofgem (2010) [Debt Review report: key Principles for taking ability to pay into account](#)

³ Ofgem (2019) Supplier RFI – data correct as of October 2019

1.3. Our Consumer Engagement Survey 2019 shows that 14% of PPM customers self-disconnected over the past year, an increase on 2018 (where it was reported at 10%).⁴ This equates to an estimated 479,000 gas and 607,000 electricity PPM customers who self-disconnected during that period. This is in line with historic data from Citizens Advice surveys which have indicated 16% PPM customers self-disconnecting in 2014 and 2017.⁵

1.4. The level of self-disconnections during the COVID-19 lockdown appears to have remained similar to pre-COVID-19 levels, with latest evidence from Citizens Advice suggesting that around 7% of PPM customers self-disconnected during the lockdown period.⁶ Our weekly supplier COVID-19 Request for Information (RFI) data suggested a spike in self-disconnections during the month of March 2020. However, as of May, the overall levels of self-disconnection plateaued and were lower than pre-COVID-19 levels reported in the month of February. This is likely to have been affected by the warmer weather during this period.

1.5. We have previously noted that although the term 'self-disconnection' can imply a voluntary choice the customer makes, this is not always the case. There are various reasons why customers self-disconnect and not all instances of self-disconnection will pose the same degree of concern. For example, occasions when PPM customers do not top-up their meter because they are temporarily vacating supplied premises (eg on holiday) are less problematic than instances when consumers in vulnerable circumstances forget to top-up a meter, have no physical or financial means to do it.

1.6. Lack of money appears to have been a key reason why customers self-disconnected during the lockdown period, more so than previously.⁷ Our April and May 2020 poll on customers' experiences reflects this situation, as findings show that 34% (April) and 30% (May) of PPM customers surveyed were worried about topping up as their income had reduced.⁸ Operational issues, particularly for traditional PPM customers, appear to have been exacerbated during the COVID-19 crisis and benefits of smart meters highlighted. Our consumer poll in April showed that 33% of respondents were worried about topping up due to

⁴ Ofgem (2020) [Consumer Engagement Survey 2019](#)

⁵ See Citizens Advice (2014) [Topping-up or dropping-out](#) and Citizens Advice (2018) [Switched On – Improving support for prepayment consumers who've self-disconnected](#)

⁶ Citizens Advice (2020) [The end of the beginning: How the retail energy market needs to support people in the next phase of COVID-19](#)

⁷ Affordability factors caused around 29% of disconnections over the past year, but around 44% of self-disconnections during the post-lockdown period. See Citizens Advice [report](#)

⁸ Ofgem (2020) [What are consumers' energy experiences during the Covid-19 pandemic? April 2020 update](#)

shop closures. Citizens Advice reported that smart meter customers, who can use mobile apps or online methods to top-up, were less likely to self-disconnect than those topping-up at shops.⁹

1.7. The impacts of self-disconnection on consumers will vary depending on customer characteristics, reasons for self-disconnection, length and frequency of self-disconnection, but we know that around half of those who are self-disconnecting experience a negative impact.¹⁰ This could be a physical negative impact such as living in a cold home and/or emotional impact which includes financial stress. Some groups will generally be more affected than others such as households including children and/or with elderly.¹¹ During the COVID-19 crisis, we have seen people who were self-isolating following the government's advice as those most at risk of self-disconnection especially those who are on a traditional PPM which require customers to top-up at a local shop.

1.8. We believe that suppliers have an important role to play in supporting customers who are self-disconnecting or at risk of doing so, particularly when those customers are in vulnerable circumstances. In addition, suppliers have to ensure customers are provided with the necessary information on how to top-up as well as to ensure they have functioning meters, keys and cards to avoid customers going off supply.

1.9. Our evidence suggested considerable variation between suppliers in terms of the level of support provided and customers were often not aware of the support available that could have kept them on stay on supply and reduce the harm caused. Our analysis of domestic suppliers' data during COVID-19, shows that energy suppliers have stepped up to the challenge and have supported PPM customers to stay on supply during this challenging period through providing financial support, such as sending out additional support credit to be added to the account or pre-loaded keys. This support peaked at the end of March-beginning of April and has since decreased and levelled out, although remained above pre-COVID-19 levels.

1.10. However, not all customers sought support from their supplier during the COVID-19 crisis, our consumer poll suggests that just 8% of customers contacted their supplier and

⁹ Citizens Advice (2020) [The end of the beginning: How the retail energy market needs to support people in the next phase of COVID-19](#)

¹⁰ Citizens Advice (2018) [Switched On – Improving support for prepayment consumers who've self-disconnected](#)

¹¹ NEA (2018) response to [Prepayment self-disconnection and self-rationing – a call for evidence](#)

Citizens Advice’s survey suggest 60% of consumers did not recall receiving information about support available from their supplier. Consumer groups have also flagged to us some inconsistency in support provided across suppliers that they have seen on the ground, which is similar to what we were seeing before the crisis.¹²

1.11. In August 2019, we consulted on initial policy proposals to strengthen protections for consumers who are at risk of self-disconnection and self-rationing.¹³ This was based on extensive stakeholder engagement, including workshops in Cardiff, Glasgow and London, and a Call for Evidence in November 2018. During early 2019, we also conducted a self-disconnection supplier Request for Information (RFI) with nineteen gas and electricity suppliers who serve the majority of the PPM market.

1.12. We received 33 stakeholder responses to our policy consultation, and based on this, we are now consulting on our final proposals. We have also considered insights from the COVID-19 crisis so far where applicable. This package of proposals includes new requirements on suppliers to identify self-disconnection and provide customers with short-term credit support when experiencing temporary self-disconnection and/or self-rationing as well as a clear set of principles when dealing with customers in financial difficulties who may be at risk of self-disconnection and/or self-rationing.

Final package of proposals

1.13. We are consulting on a package of proposals which include:

- 1) A new requirement on suppliers to take all reasonable steps to identify all PPM customers who are self-disconnecting and offer appropriate support in line with existing and new obligations.** We are proposing to place an obligation on suppliers to take all reasonable steps to identify all PPM customers who are self-disconnecting and provide appropriate support. Chapter 2 provides more detail on our final proposal, its intended effects, and proposed draft licence conditions.

¹² As part of our ongoing stakeholder engagement with consumer groups and charities, their research and findings.

¹³ Ofgem (2019) [Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing](#)

2) New requirements on suppliers to offer emergency and friendly-hours credit to all PPM customers and to offer additional support credit to customers in vulnerable circumstances. Our proposal is to place new obligations on suppliers to offer short-term credit. We have updated the previous terminology of ‘discretionary credit’ provided to vulnerable consumers to ‘additional support credit’. This is to better reflect our policy intent and the obligatory nature of the requirement for customers in a vulnerable situation. The proposed legal definition of ‘additional support credit’ is used throughout this document. Chapters 3 and 4 provide more detail on our proposals, their intended effects, and proposed draft licence conditions.

3) Enhanced requirements on suppliers with respect to providing support to all customers who are facing financial difficulties through the inclusion of updated Ability to Pay principles in the supply licence. Under this proposal, we would incorporate and update the existing Ability to Pay principles within the supply licence. Chapter 5 provides more detail on this proposal, its intended effects and proposed draft licence conditions.

1.14. In addition, we will closely monitor the steps energy suppliers are taking to identify consumers in vulnerable circumstances who are self-rationing their energy use. We are not proposing to introduce any new requirements on identification of self-rationing at this time.

1.15. We consider that the rest of the proposed package will provide additional protection for these customers by: placing an expectation on suppliers to offer additional support credit to vulnerable consumers who are self-rationing (proposal 2); requiring suppliers to proactively monitor repayment plans and ensure these are appropriate for individual customers’ circumstances (proposal 3). We will monitor suppliers’ response to these changes. We stand ready to take enforcement or compliance action where existing requirements are not adhered to and enforcement and/or compliance action is the appropriate response. Chapter 2 provides more detail on our minded to approach.

Coronavirus (COVID-19) response

1.16. In light of the COVID-19 crisis, we have focused our efforts on protecting consumers, especially the vulnerable. This includes PPM customers who are at risk of self-disconnection. During the crisis, we have been working closely with government, consumer groups, and industry to implement emergency measures to help these customers. This has meant that in order to make sure the energy industry is able to effectively prioritise, we had to pause our

ongoing work in some areas, which included a delay in the publication of this statutory consultation.

1.17. We published our expectations on suppliers in a series of blogs and written communications directly to suppliers, which made it clear we expect consumer protection to be the first priority during such a crisis, especially for vulnerable customers or those at risk of losing supply. We have been flexible in our regulatory framework; on 8 April, we published our open letter with a framework on regulatory flexibility which applies until 30 June 2020.¹⁴ On 16 June, we outlined our updated approach to regulating domestic and non-domestic supplier performance.¹⁵ From 1 July 2020, we expect that customer needs are met, particularly for the most vulnerable, that suppliers maintain secure, reliable and safe supplies of energy to all customers, and that they ensure the safety and protection of customers and the workforce.

1.18. In March 2020, the government agreed an emergency package with energy suppliers to protect vulnerable people during COVID-19.¹⁶ Suppliers have been supporting PPM customers and those in financial difficulties who have been directly or indirectly impacted by COVID-19 based on individual circumstances. We have seen examples of support from suppliers include voluntarily extending emergency, friendly-hours credit and additional support credit for those customers who were unable to top-up their meter. Alternatively, information campaigns to ensure that a nominated person could top-up on the customer's behalf, requests to leave the meter box unlocked, and instances where suppliers temporarily switched smart meter customers from prepayment to credit mode have been used to help reduce the risk of going off supply.

1.19. There have also been commitments to support customers who were impacted financially as a direct or indirect result of COVID-19. These measures have included considering reassessing, reducing or pausing debt repayment and bill payments for domestic customers in financial distress. We expect suppliers to continue to uphold the voluntary agreement with BEIS, and to provide support to impacted customers. This includes ensuring

¹⁴ Ofgem (2020) [Impact of COVID-19 on retail energy supply companies – an enabling framework for regulatory flexibility](#)

¹⁵ Ofgem (2020) [Impact of COVID-19 on retail energy supply companies – regulatory expectations from 1 July 2020](#)

¹⁶ BEIS (2020) [Government agrees measures with energy industry to support vulnerable people through COVID-19](#)

that any debt management processes are fair and that repayment plans take account of ability to pay.

Impact Assessment

1.20. We have published a draft Impact Assessment (IA) alongside this statutory consultation to set out the impact of our package of proposals and seek further comments and evidence from stakeholders. The IA identifies a range of cost and benefits on consumers and businesses for a number of policy options and presents the impact of our preferred package of proposals. Please note the analysis that underpins the draft IA was carried out before the onset of the COVID-19 crisis. We have taken into account the latest data available and insights on consumer and business impacts from the period March – May 2020.

Data Protection Impact Assessment

1.21. As part of the responses to the policy consultation, a number of stakeholders argued that the proposals to identify self-disconnection and self-rationing raise concerns regarding personal data protection, and some suppliers specifically asked for Ofgem to undertake a Data Protection Impact Assessment (DPIA).

1.22. We expect suppliers to comply with data protection and data privacy laws. Our final proposal is to introduce a new requirement on suppliers to identify self-disconnection and to closely monitor suppliers' identification of consumers in vulnerable circumstances who are self-rationing in line with existing requirements. We recognise that in relation to the self-disconnection identification proposal suppliers, in their role as Data Controllers, may need to consider and review their position on their own DPIAs depending upon the nature of any processing they consider they need to take to meet the measures around identifying self-disconnection.

How to respond

This statutory consultation will be open for **8 weeks** and close on **Monday 24 August 2020**. We welcome stakeholder views on the proposed changes. We invite stakeholders to comment on the contents of the consultation, providing their views and evidence as appropriate. Subject to the responses we receive, we intend to issue our decision later this year. Any licence changes would take effect 56 days after publishing the decision notices and our intention is for these protections to be in place by the end of 2020.

1.23. We want to hear from anyone interested in this consultation. Please send your response to the person or team named on this document's front page. We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

2. Identifying self-disconnection and self-rationing

Section summary

In this section, we outline our final proposals to improve outcomes for consumers who experience self-disconnection, by introducing a new licence condition for suppliers to identify customers who are self-disconnecting and provide support where needed. We also outline our final proposal for identification of self-rationing, to closely monitor suppliers' identification of vulnerable consumers who are self-rationing as part of existing obligations.

2.1. We intend to proceed with our proposal to place an obligation on suppliers to take all reasonable steps to identify all prepayment meter (PPM) customers who are self-disconnecting and provide appropriate support in line with existing and new obligations. We continue to consider that this is an important step in ensuring that these customers are supported where necessary. We expect that this new requirement will ensure suppliers identify customers who are self-disconnecting, ascertain reasons for this, and provide appropriate support depending on customers' circumstances. We have made some minor changes to the proposed draft licence conditions to clarify the policy intent of the proposal, presented further below in this chapter.

2.2. Based on our assessment, we do not intend to introduce any new requirements on identification of self-rationing at this time. We intend to closely monitor industry performance on identifying vulnerable customers who are self-rationing as part of their existing requirements under the Standards of Conduct, particularly as the smart meter rollout progresses. We stand ready to take enforcement or compliance action where existing requirements are not adhered to and enforcement and/or compliance action is the appropriate response. We welcome an industry-wide commitment focused on improving identification of self-rationing through best practice and shared learning.

Existing arrangements and issues identified

Identification of self-disconnection

2.3. Identifying when and which customers are self-disconnecting is crucial to get them back on supply and reduce the risk of self-disconnection in the future. There are already a number of obligations on suppliers which require them to do some monitoring of whether a customer is self-disconnecting in certain situations. For example:

- Under the requirement to ensure it is safe and reasonable practicable for customers to have a PPM meter, we would expect suppliers where technically feasible to monitor whether the customer is self-disconnecting post PPM installation, as part of their compliance with Supply Licence Condition (SLC) 28.1B (Safety and reasonable practicability of Prepayment Meters).¹⁷ We would also expect that once a customer is identified as having self-disconnected, that the supplier should contact the customer to understand reasons for the self-disconnection. When it becomes apparent that the reason for self-disconnection is that it is not safe and reasonably practicable for the customer to use a PPM, the supplier should make alternative arrangements.
- For customers repaying debt via a PPM, we expect suppliers to proactively monitor arrangements after they have been set up to check whether a PPM is being used initially and on an ongoing basis and to monitor failed arrangements as part of the Ability to Pay principles and their compliance with SLC 27.8 (Customers in payment difficulty).¹⁸

2.4. In addition, suppliers are required to identify customers in vulnerable circumstances and respond to their needs. We expect suppliers' compliance with the Standards of Conduct and vulnerability principle contained within the supply licence as SLC 0 (Treating Domestic Customers Fairly), SLC 16 (Priority Services Register)¹⁹ and the Smart Meter Installation Code of Practice²⁰ to help target support for customers in vulnerable situations who are at risk of self-disconnection or who self-disconnect.

¹⁷ Ofgem (2016) [Decision to Modify the Safe and Reasonably Practicable Guidance, pursuant to Standard Licence Condition 28.1B of the Electricity Supply Licence and the Gas Supply Licence.](#)

¹⁸ Ofgem (2010) [Debt Review report: key Principles for taking ability to pay into account](#)

¹⁹ Ofgem (2020) [Standard conditions of electricity and gas supply licence](#)

²⁰ SMICoP (2020) [Smart Meter Installation Code of Practice](#)

2.5. However, we are concerned that the existing requirements on suppliers are not sufficiently clear with respect to obligations on suppliers to better understand which customers may be self-disconnecting and why. Suppliers are not applying the existing requirements and guidance relating to self-disconnection consistently.

2.6. This variation in approach could be limiting the extent to which suppliers are aware of and supporting customers who are self-disconnecting which in some circumstances leads to significant physical and emotional impacts for consumers. Some suppliers are relying on instances of self-disconnection being reported by the customers concerned. However, Citizens Advice research shows that very few PPM consumers contact their supplier when they go off supply on their gas and/or electricity meter.²¹ It is therefore our view that the regulatory obligations on suppliers should be changed to require all suppliers to be proactive in identifying customers who are self-disconnecting. As part of the supplier COVID-19 RFI, we sought data on the number of customers that were self-disconnecting from their energy supply separated by smart and traditional meters. Data provided by suppliers demonstrated that some used smart meter data to identify self-disconnection whilst others did not have the processes in place which enabled them to identify even customers with smart PPM who were off supply. The inconsistency highlights the importance of changes in this area.

Identification of self-rationing

2.7. Self-rationing of energy refers to customers deliberately limiting their energy use to spend money on other goods or services. Self-rationing affects both prepayment meter and credit meter customers. This is more likely to have a negative impact on customers who are already in a vulnerable circumstance, such as those who face affordability challenges as they are repaying debt through their PPM and customers with debts in other areas, as well as customers reliant on electric heating.

2.8. Our review showed that supplier monitoring and identification of self-rationing is limited. Identifying the circumstances behind self-rationing often requires a two-way engagement between the customer (or a third party representative) and the supplier to fully understand the circumstances and correctly identify self-rationing.

²¹ Citizens Advice (2018) [Switched On – Improving support for prepayment consumers who've self-disconnected](#) found that only 9% of these households had contacted their supplier for help.

August 2019 policy consultation proposals

Self-disconnection identification proposal

2.9. To address the concerns set out above, we proposed, in our policy consultation, to introduce a new requirement on suppliers to take all reasonable steps to identify prepayment meter customers who are self-disconnecting, give due consideration to customers who are in a vulnerable situation, and offer appropriate support to customers identified as having self-disconnected where needed.²² We set out that this appropriate support could be short-term or longer-term depending on each customer's circumstance. We have been clear that all self-disconnections can be problematic regardless of duration, but there are certain factors, including individual circumstances, which can determine whether the self-disconnection is due to a customer facing a vulnerable situation.

2.10. We did not propose to prescribe how suppliers should identify instances of self-disconnection, as we considered that suppliers would be best placed to develop this, with some having already developed sophisticated monitoring and identification techniques. We proposed to promote the sharing of good practice across industry through annual reports and we encouraged suppliers to continue sharing good practice on a regular basis at industry fora.

2.11. We noted the differences between traditional and smart meters in terms of suppliers' ability to identify self-disconnections. Our review showed that where self-disconnection monitoring takes place, this is usually in the form of monitoring "non-vends", whereby the supplier receives data that shows no record of the customer transferring credit to a PPM through topping up.²³ Customers who have not vended for a period of time may potentially be off supply. This monitoring practice is common for customers on traditional meters given the technical constraints inherent in these meter types do not allow for more real-time identification, other than when the customer contacts the supplier.

²² Ofgem (2019) [Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing](#)

²³ Suppliers can receive data from traditional PPMs which identifies if a customer has not vended (topped up) over a certain period of time. Suppliers have been using this method to identify vacant properties, meter tampering and more recently to identify if customers are going off supply. Our review showed suppliers trigger engagement at different points in time following a non-vend, with some prioritising engagement for customers identified as vulnerable. The most common time thresholds used by suppliers were between 1-3 months of non-vend before further investigating the customer account.

2.12. We noted that smart meters in prepay mode have the capability to provide almost real-time data giving the potential for much improved visibility on self-disconnections. However, our 2019 self-disconnection RFI revealed that most suppliers with a significant number of smart PPM customers tend to approach monitoring in the same way as for traditional PPM, ie through non-vend monitoring, missing the opportunity to harness the potential data available. Similarly, the more recent COVID-19 RFI indicated that some suppliers did not have the processes in place that enabled them to identify even customers with smart PPM who were off supply. We would expect suppliers to be more proactive in response to our proposed licence obligations.

Self-rationing identification proposal

2.13. Under identification of self-rationing, we proposed as part of our policy consultation to introduce a new requirement on suppliers to take all reasonable steps to identify where vulnerable customers were self-rationing. We indicated that this proposal would apply to both PPM and credit meter customers.

2.14. We did not propose to prescribe how the suppliers should identify instances of self-rationing, as we indicated that suppliers already have requirements in place to identify customers in vulnerable circumstances and respond to their needs. We set out that suppliers should develop innovative monitoring approaches, particularly making use of smart metering data.

2.15. As part of the policy consultation, we also consulted on working draft licence conditions for the new obligations, setting out the proposed requirements and proposed definitions of self-disconnection and self-rationing.

Summary of consultation responses: self-disconnection identification proposal

2.16. The majority of respondents were strongly supportive of our proposal to require suppliers to take all reasonable steps to identify customers who were self-disconnecting and provide these customers with appropriate support. A few suppliers raised some concerns around the operational feasibility and requested further clarity on the proposed obligation. Only one stakeholder was opposed to the proposal and two suppliers suggested that the proposal should be limited to identifying vulnerable customers who are self-disconnecting.

2.17. Below we have outlined stakeholder views under various components of the proposal before setting out our final proposals taking into account stakeholder feedback.

'All reasonable steps' requirement

2.18. The proposal in our policy consultation document was to require suppliers to 'take all reasonable steps' to identify whether a prepayment meter customer is self-disconnecting.

2.19. Consumer groups were generally supportive of the 'all reasonable steps' element of this proposal. One consumer group suggested that the requirement on suppliers should be more specific, as they were concerned that the non-prescriptive approach could result in suppliers adopting different identification definitions and approaches. One supplier suggested that the 'all reasonable steps' requirement should be removed, as it may lead to unintended consequences if some suppliers 'game' the system by monitoring and supporting only a select few groups of customers rather than all eligible households. However, others indicated that the 'all reasonable steps' requirement recognises the difficulty in identifying self-disconnection for traditional meters as well as certain constraints outside of the suppliers' control for smart meters.

2.20. One stakeholder argued that suppliers should already have existing systems and processes in place to identify and support vulnerable customers that could be upgraded to include the function of identifying self-disconnections. The proposed obligation would ensure that suppliers with systems that are not fit for purpose are encouraged to act promptly to make the necessary investment.

2.21. A minority of stakeholders asked for further clarity on the actions that they would be expected to take to meet 'all reasonable steps' to identify self-disconnection. One supplier indicated that companies should not be held unfairly accountable for issues outside of their control, for example issues with the WAN connection or with the Data Communications Company (DCC) if they were unable to access smart data to identify self-disconnection. Some requested that Ofgem provide specific guidance and make reference to this guidance in the licence conditions.

'Offer appropriate support where needed' requirement

2.22. The working draft licence conditions included a requirement on suppliers to offer appropriate support to customers who were identified as self-disconnecting where needed. A minority of stakeholders asked for greater clarity and examples on what the 'appropriate

support' would be once a supplier has identified customers who are self-disconnecting or self-disconnecting on numerous occasions.

Traditional and smart meter identification

2.23. A few stakeholders raised concerns that there were some practical difficulties associated with monitoring and identifying self-disconnection for customers on traditional PPMs. To address the constraints imposed by identification for traditional meters, stakeholders suggested a number of solutions:

- Some suggested that the proposal should differentiate between smart and traditional meters, given the differences in identification techniques.
- One consumer group recommended that the draft supply licence condition should set a minimum standard based on current technology to ensure a baseline for consistency when identifying potential self-disconnections. They suggested an inclusion of a 'maximum non-vend window' of two months in the summer and one month in the winter. Suppliers would be required to flag when customers had not topped up for these specified time periods.

2.24. One supplier suggested that the identification proposal should only apply to smart meters. Other stakeholders, including suppliers and consumer groups, suggested that suppliers should replace traditional PPMs with smart meters wherever possible and prioritise smart prepay to ensure better identification of self-disconnection.

2.25. One consumer group indicated that the introduction of the proposed obligation for suppliers to identify customers disconnecting provided an opportunity for suppliers to share best practice on how to do this for customers on traditional meters. They suggested that suppliers could conduct trials, research and develop best practice guides to facilitate this. In addition, they pointed out that suppliers could also identify self-disconnection where their customers informed them and requested support. They indicated that consumers would be more likely to contact their supplier for help if they are aware there will be support available.

Customer engagement

2.26. A minority of stakeholders expressed concerns that increased customer engagement could lead to perceived intrusive behaviour by the supplier. Some suppliers believe self-disconnection is a sensitive issue and worry that consumers may disapprove of suppliers

contacting them and may view multiple contact attempts negatively. They asked for further assessment and guidance on what would be considered as a reasonable number of attempts to contact PPM customers once they have been identified as self-disconnecting or at risk of self-disconnection. One supplier did not believe it would be necessary to contact customers who only self-disconnected once or very rarely.

Smart data access and privacy

2.27. One consumer group highlighted that suppliers will need to ensure they use customers' smart meter data in line with data protection law. They noted that consumer views on data privacy can be quite nuanced, with research showing that some consumers consider "identifying vulnerability" as one of the most acceptable uses of smart meter data, but they can be warier when asked specifically about their own data being used for this purpose.

2.28. One supplier considered that monthly or daily data would not be sufficient for the purposes of identifying self-disconnection and proposed that Ofgem amends the relevant licence conditions relating to smart data to allow for suppliers to collect half-hourly data. Another supplier noted that in order to access half-hourly data for the purposes of identifying self-disconnection, suppliers must have consent from customers to do so and their initial view was that existing consents should allow for half-hourly consumption data to be used for these purposes and this may require suppliers to confirm internally.

Our final proposals: self-disconnection identification

2.29. After considering stakeholder responses, **we intend to proceed with our proposal to require suppliers to take all reasonable steps to identify prepayment self-disconnection.** We propose to make some changes to the working draft licence conditions first published in the policy consultation to further clarify the policy intent, as discussed below. We also propose a minor change to the self-disconnection definition to include reference to the verbs associated with the act of self-disconnection, as outlined in Appendix 2.

'All reasonable steps' requirement

2.30. **We believe the 'all reasonable steps' requirement is appropriate and we intend to retain this.** We expect suppliers to identify if a customer is self-disconnecting through direct engagement with customers and proactive monitoring of PPM accounts.

2.31. We expect suppliers to use all available information when identifying customers, should this differ between traditional and smart meter data that is available. For customers on traditional meters, identification of self-disconnection can be done through monitoring of non-vends and a proportionate approach to follow up engagement. We have seen examples of good practice where suppliers have trialled different ways of contacting customers on traditional meters and using various frequencies of the non-vend reports depending on the customer group as discussed above.

2.32. For customers on smart meters in prepay mode, on both SMETS1 and SMETS2 configured smart meters, an alert can be sent when credit runs out and the meter will become disabled unless the consumer is in a friendly disconnect period. Suppliers will also get alerts if consumers go off supply at the end of a friendly disconnect period.

Identifying all PPM customers who are self-disconnecting

2.33. We believe it is important for suppliers to take steps to identify all PPM customers who are self-disconnecting rather than a sub-set of customers already identified as vulnerable. This is because self-disconnection may be the first sign a supplier has of a new vulnerability. Having no access to heating may also exacerbate existing circumstances and lead to a situation of vulnerability. It is important not to leave behind customers who may be identified as vulnerable in the future, such as those who are facing financial difficulties as a result of the COVID-19 outbreak.

2.34. The draft licence conditions outline that due consideration needs to be given to vulnerable consumers, recognising that there may be different reasons why customers are self-disconnecting and that not all instances of self-disconnection are of concern. Through better monitoring and identification of self-disconnection, this should also help suppliers identify further potential vulnerabilities as well as other reasons why customers are self-disconnecting.

'Offer appropriate support where needed' requirement

2.35. **We propose to keep the requirement that suppliers should offer appropriate support where a customer is identified as having self-disconnected.** We have clarified below what we mean by appropriate support and propose to make a minor change to the working draft licence conditions to reflect this.

2.36. Stakeholders asked for further guidance on what this support means. This includes short-term support such as, offering emergency, friendly-hours and additional support credit if needed, to stay on supply as per new obligations set out in draft SLC 27A. It also includes, where needed, longer-term support such as ensuring PPMs are still fit for purpose in line with the safe and reasonably practicable obligations²⁴ and ensuring customers in financial difficulties are on affordable repayment arrangements in line with the ability to pay obligations.²⁵ In some cases, it may mean suppliers offering smart meters in prepay mode, as we have seen some suppliers using this as an opportunity to offer a service that will allow them to better identify self-disconnection in the future.

2.37. In line with their obligations of treating customers fairly under SLC 0, we also expect suppliers to consider if there are any other measures they can take to support customers in vulnerable circumstances.

Traditional and smart meter identification

2.38. **We intend to retain the policy intention for the new requirement to apply to both traditional and smart prepayment meters.** We are proposing to make some minor changes to the draft licence condition to clarify that this monitoring should be on an ongoing and continuous basis, using all information available to the licensee.

2.39. While we will see an increase in smart prepay and most customers will be identified on this basis in the future, we want customers on traditional meters to be protected in the transition to smart. We recognise the constraints of identifying self-disconnection on these traditional meters. However, we believe there are some helpful examples of good practice that can be shared across the industry. We have seen some practices where suppliers use a different frequency of the non-vend reports depending on the group of customers. For example, some suppliers use 14 days non-vend reports for customers registered on the Priority Service Register, compared to 28 days non-vend reports for the rest of their customer base. The frequency non-vend reports for gas customers also changes depending on the season, with shorter non-vend reports in the winter and longer ones in the summer. This enables suppliers to target their support where it is most needed.

²⁴ See SLC 28 of the [Gas and Electricity Supply Standard Licence conditions](#)

²⁵ See SLC 27.5 of the [Gas and Electricity Supply Standard Licence conditions](#)

2.40. Data provided by suppliers as part of the COVID-19 RFI demonstrated that some used smart meter data to identify self-disconnection whilst others did not have the processes in place which enabled them to identify even customers with smart PPM who were off supply. With the new requirement, we would expect suppliers to regularly monitor whether a PPM customer is self-disconnecting, so we are making an explicit reference to the ongoing and continuous nature of this obligation.

Identifying Self-disconnection

27A.1 Where a Domestic Customer uses a Prepayment Meter the licensee must:

(a) take all reasonable steps to identify on an ongoing and continuous basis, whether that Domestic Customer is Self-disconnecting; and

(b) if the licensee identifies that that Domestic Customer is Self-Disconnecting, offer that Domestic Customer appropriate support in accordance with this condition SLC 27A, SLC 28.7 and all other obligations relating to Prepayment Meter customers, and in deciding what is appropriate support for that Domestic Customer, take into account whether they are in a Vulnerable Situation, as appropriate.

Customer engagement

2.41. We agree with stakeholders' views that there needs to be a balance on the amount of consumer contact, however we believe that consumer engagement will be needed in the first place to establish the reasons for self-disconnection on traditional meters. With regards to smart meters, we expect suppliers to take a proportionate approach given the granularity of the data obtained. We have seen examples of good practice where suppliers are triaging consumer engagement by first contacting those identified as vulnerable as well as using appropriate customer communications for customers who have opted-out of specific communications.

2.42. We also expect suppliers to act in accordance with their existing obligations by acting in a manner which is designed to promote each customer to engage positively with their energy supply (SLC 31F – Encouraging and enabling engagement).

Smart data access and privacy

2.43. We believe that the current smart technical specifications and smart metering data access rules are fit for purpose to allow suppliers to identify self-disconnection under the

proposed new obligation. The Smart Metering Technical Specification allows smart meters to send disconnection alerts which suppliers can monitor and in turn allow them to identify instances of self-disconnection.²⁶ The smart metering data access rules under SLC 47 allow suppliers to access consumption data on a monthly and daily basis in order to fulfil certain regulated duties. This includes data alerts obtained by virtue of registering a prepayment top-up or which relates to periods between top-ups (SLC 47.6(e)).²⁷

2.44. The rules also allow suppliers to access half-hourly consumption data relating to prepayment top-ups and periods between top-ups where the customer has provided consent for this data to be obtained by the supplier (SLC 47.10(d)). Suppliers are also required to maintain at all times an accurate and up to date record of customers' consent in relation to the use of consumption data. The use of smart metering consumption data in conjunction with smart disconnection alerts will allow suppliers to better identify self-disconnection, including giving due consideration to consumers in vulnerable circumstances, and we believe the existing smart metering data access obligations are adequate.

2.45. Suppliers are responsible for ensuring that they comply with data protection and data privacy laws. We recognise that in relation to the self-disconnection identification proposal, suppliers, in their role as Data Controllers, may need to consider and review their position on their own Data Protection Impact Assessments (DPIA) depending upon the nature of any processing they consider they need to take to meet the measures around identifying self-disconnection.

2.46. A recent survey from Citizens Advice ran during COVID-19 shows that the majority of respondents (over 70%) strongly supported the use of data by suppliers to monitor self-disconnection and/or self-rationing and offer support, with only around 10% opposing.²⁸

²⁶ See [Smart Metering Technical Specification 2 \(SMETS 2\)](#)

²⁷ The Smart Metering Data Access and Privacy Framework (DAFP) was implemented to safeguard consumers' privacy, whilst enabling proportionate access to energy consumption data. The central principle of the Framework is that consumers have control over who can access their energy consumption data, how often and for what purposes, except where this is required for regulated purposes, such as billing. See [Smart Meter Data Access and Privacy](#) and [Data Access and Privacy Framework Review](#) (2018)

²⁸ Citizens Advice (2020) [The end of the beginning: How the retail energy market needs to support people in the next phase of COVID-19](#)

Summary of consultation responses: self-rationing identification proposal

2.47. There was agreement across stakeholders that self-rationing was a concerning issue and measures are needed to tackle this. However, the majority of suppliers opposed the identification proposal as drafted in the policy consultation, stating that it is difficult or almost impossible to identify when customers are self-rationing. Many suppliers were opposed to the proposed changes for practical reasons and potential additional costs implications, requesting a full Impact Assessment (IA). However, only one supplier provided evidence on expected costs that they considered to be potentially significant.

2.48. Below, we have set out stakeholders' views under various components of the proposal and in the next section, we set out our final proposals taking into account stakeholder feedback.

Definition of self-rationing

2.49. A majority of stakeholders raised concerns with the proposed working draft definition of self-rationing as being too broad in terms of the reason why the customer may deliberately limit their consumption. Two suppliers recommended that self-rationing refers to the money used for other "essential goods or services / areas". Others believed further engagement would be needed before agreeing on an industry definition. One consumer group recommended that the definition relates to the actual usage of the household compared with the expected usage of the household, based on best available data. They argued that this would be especially important in winter, when heating might be used less than the amount required to keep a home adequately warm.

Traditional and smart meter identification

2.50. A majority of suppliers raised concerns with the practicality of monitoring self-rationing for both traditional and smart meters. For traditional meters, some suppliers stated that data was only available after the event and therefore it would not be of sufficient granularity to get a full picture.

2.51. For smart meters, suppliers raised concerns with a difficulty in differentiating between self-rationing and energy efficiency actions, taken as a result of implementing energy efficiency measures such as provision of energy efficiency advice when installing smart meters. They also argued that they would need historical data (in some cases over 3 years)

to be able to accurately identify whether a customer was self-rationing on an ongoing basis. As such, a number of suppliers were of the view that the proposal should be delayed until after the smart metering rollout progresses further.

Data protection concerns

2.52. A few suppliers raised data protection concerns, stating that monitoring of self-rationing would be intrusive or confusing for consumers. Some suppliers requested that Ofgem undertakes a Data Protection Impact Assessment. One consumer group pointed out that suppliers will need to be cautious when using consumer data and ensure they abide by data protection law. They should put in place processes to ensure consumers have transparency and control over how their data is used.

Sharing of best practice

2.53. Stakeholders were supportive of Ofgem facilitating the sharing of case studies of best practice where suppliers proactively and effectively monitor and act on self-rationing. One supplier suggested that current methods they use are proportionate as they overlay a number of behaviours (multiple self-disconnections, customer vulnerabilities, use of additional support credit) with low top-up values (both traditional and smart meters). These accounts are then flagged and customers contacted, the use of various indicators minimises the risk of customers being contacted unnecessarily.

Our final proposals: self-rationing identification

2.54. Based on stakeholder responses and our own assessment, **we do not intend to introduce any new requirements on identification of self-rationing at this time.** Instead, we will be monitoring industry performance on identifying vulnerable customers who are self-rationing as this remains an area of concern for Ofgem.

2.55. We intend to closely monitor this area particularly as the smart meter rollout progresses. Suppliers have an obligation under the Standards of Conduct to seek to identify consumers in vulnerable circumstances and provide them with support needed and this includes customers who are self-rationing. This requirement gives us sufficient remit at this time to monitor suppliers' performance in identifying vulnerable consumers who are self-rationing. This will help inform our assessment on whether further changes to the rules will be needed in this area. We stand ready to take enforcement or compliance action where existing

requirements are not adhered to and enforcement and/or compliance action is the appropriate response.

2.56. We believe this is a proportionate approach given the concerns raised by stakeholders regarding the difficulties in identification as well as early stages of smart data use for identifying self-rationing. We welcome an industry-led approach on identifying solutions to monitoring of self-rationing. This would demonstrate the industry's commitment to go over and above existing rules. We believe it will also allow suppliers to consider carefully any data protection concerns they have, with sharing of best practice where possible as a crucial first step.

2.57. We stand ready to review our position when the smart metering rollout, including SMETS2 meters in prepayment mode, is further advanced and suppliers will have had the opportunity to make use of smart data to support vulnerable consumers. We also know that this is an area of concern for the government, as highlighted in its Fuel Poverty Strategy for England²⁹, and we will continue to support and work with the government on this.

Self-rationing definition

2.58. **We propose to retain the self-rationing definition with an update to the working draft definition.** We believe that given other proposals, such as the proposal to provide additional support credit to customers in vulnerable circumstances (see Chapter 4), are aiming to tackle both self-disconnection and self-rationing, self-rationing needs to be defined within the licence conditions.

2.59. We have taken stakeholder feedback into account and propose to update the definition as per below to make it narrower and refer to customers deliberately limiting energy use to save money for other goods or services. We do not propose to directly refer here to 'essential' goods or services as suggested by some stakeholders, as we consider it disproportionate to exclude potential individual circumstances and vulnerabilities, which could necessitate spending in areas that are not considered essential to all consumers. We also do not believe that it would be within the supplier remit to assess in what areas a customer's income is being spent.

²⁹ Department for Business, Energy and Industrial Strategy (2019) [Fuel poverty strategy for England](#)

2.60. We also propose a minor change to the self-rationing definition to include reference to the verbs associated with the act of self-rationing. We believe that keeping the self-rationing definition is appropriate given its reference in other areas throughout the package of proposals, such as additional support credit and the Ability to Pay principles.

Condition 27A. Self-disconnection

Definitions

27A.9 In this condition:

“Self-rationing” means

When a Domestic Customer deliberately limits its [gas / electricity] use to save money for other areas **goods or services**.

Terms derived from this, such as ‘Self-Ration’ and ‘Self-Rationed’ shall be construed accordingly.

3. Credit functions to reduce temporary self-disconnection and self-rationing: emergency and friendly-hours credit

Section summary

In this section, we outline our final proposals to improve outcomes for consumers who self-disconnect because of a short-term situation, by formalising the emergency and friendly-hours credit functions. Due to the varying circumstances where additional support credit is offered, we have decided to separate this function from the emergency and friendly-hours credit functions. We discuss our final proposals on additional support credit functions in the next chapter.

3.1. We intend to proceed with our proposal to introduce new requirements on suppliers to offer emergency and friendly-hours credit to all prepayment meter (PPM) customers and ensure that customers have the necessary information to understand the facilities, how these can be used and how the credit is repaid.

Existing arrangements and issues identified

3.2. In our policy consultation, we identified a number of short-term situations which can lead to self-disconnection and self-rationing, for example customers who are experiencing a one-off financial crisis or temporary difficulty in accessing their meter. Short-term disconnections can also include customers forgetting to top-up their meter or being generally unaware that the meter is low on credit, as a result of busy lifestyles or lack of information. One way of mitigating these temporary situations is through the provision of emergency and friendly-hours credit facilities that allows the customer to access additional credit quickly and stay on supply for a short period of time until they next top-up.

3.3. Whilst the emergency and friendly-hours credit functions are important features to tackle a short-term self-disconnection not all individual circumstances can be resolved through this approach, particularly for those customers in ongoing financial difficulties. We

expect other protections to apply to these customers³⁰, in addition to what we are proposing for short-term self-disconnections.

3.4. The emergency credit functions are generally built into the meter or sometimes provided through an engineer visiting the property via a 'wind-on'.³¹ The emergency credit facility is available to a customer after they run out of credit or when they are low on credit. A customer will need to know how to access the emergency credit on the meter, information which is expected to be provided by the supplier. Similar to emergency credit, the friendly-hours credit function is a short-term solution to prevent disconnection at inconvenient times, for example when top-up points are closed. Friendly-hours credit is usually activated during certain hours in the evenings, at weekends and during Bank Holidays.

3.5. At present, these credit functions are voluntary practices in the market. Responses to our December 2018 Call for Evidence were generally positive about the provision of such services as a short-term support.³² Our review has shown that the majority of suppliers are providing these credit functions as an immediate solution to enable PPM customers to remain or return to supply.³³

3.6. However, evidence gathered suggests that not all suppliers appear to be offering friendly-hours credit and some are not providing enough information about its availability on their website or welcome packs provided at installation. Similarly, while the emergency credit facility is offered by all PPM providers, customer awareness on how to access it is low. We are concerned that without the advertisement of these functions some customers may be missing out on a vital layer of short-term protection which would enable them time to top-up their meter.

August 2019 policy consultation proposals

3.7. In our policy consultation, we proposed to make it a requirement that suppliers must offer emergency and friendly-hours credit to all PPM customers.

³⁰ These include existing supply licence conditions as well as our proposals for customers in financial difficulty as set out in Chapter 5.

³¹ A wind-on involves an engineer visiting the property to add credit to the meter manually.

³² Ofgem (2018) [Prepayment self-disconnection and self-rationing – a call for evidence](#)

³³ Evidence from Ofgem (2019) Supplier Request for Information

3.8. We also proposed to require suppliers to ensure customers have the necessary information to understand the facilities, how these can be used and how the credit is repaid.³⁴ Our evidence suggested that the voluntary support was largely inconsistent and we believe it is important that this short-term support is easily accessible in the first place. By increasing awareness of the credit functions, consumers will be more confident in the existence, application and accessibility of these protections, which can be the first step in preventing an off-supply situation should they need it.

3.9. Where it is technically unfeasible and outside of the control of the supplier to offer emergency and friendly-hours credit, such as is sometimes the case with traditional gas meters, we proposed that a supplier would be required to offer short-term support via alternative means and in a timely manner when it becomes aware that a customer has self-disconnected.

3.10. We did not propose to set a minimum or maximum limit on the amount of emergency credit offered as we believe suppliers are best placed to assess this for their customer base and many have already trialled different amounts dependent on customer circumstances. While friendly-hours credit hours can differ across suppliers, sometimes due to regional differences or contact hours, we did not propose to prescribe the specific hours. We indicated that consistency, a minimum standard of support and clear information to customers being provided in the first place is needed.

Summary of consultation responses: emergency and friendly-hours credit

3.11. Stakeholders were supportive of the proposal to require suppliers to offer emergency and friendly-hours credit. Given that nearly all suppliers are already offering these functions, it was seen as a sensible approach to reinforce the protections. Many stakeholders believe that this will reduce the inconsistencies across suppliers, which would be especially advantageous for customers and frontline advisors identifying and accessing support and for those who are looking to switch suppliers and receive consistent support.

3.12. A few stakeholders raised the point that the credit functions should not be used as a substitute for an ongoing lack of income. It was also suggested that at this juncture (where

³⁴ Ofgem (2019) [Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing](#)

credit is provided), a more sustainable solution should be identified for the customer to help aid when they are in financial difficulties where this is needed. As stated above, we recognise that the credit functions are a short-term solution that should be used alongside other consumer protection measures and longer-term approaches.

3.13. Below we have set out the key components of the proposal that stakeholders commented on and in the next section we set out our final proposals taking into account stakeholder feedback.

Offering emergency and friendly-hours credit to all prepayment customers

3.14. This part of the proposal was widely supported by suppliers and consumer groups. Only one supplier disagreed with the policy intent and argued that the credit should only be mandatory in circumstances where the customer had been identified as in a vulnerable situation. Another supplier stated that putting these practices into the licence is likely to lead to a greater reliance on them, in turn increasing a customer's dependency on the credit functions.

Provision of information

3.15. A few stakeholders commented on the information provision component of the proposal. One consumer group suggested that customers are unaware of the credit functions and how they operate. A charity organisation also emphasised that information for third party advisers could be improved, as they are often the representative that a customer will contact in times of difficulty. There were calls by two stakeholders for Ofgem to standardise the information that is being used by suppliers to signpost customers to these features.

3.16. One supplier suggested that with an increase in information provision, it is likely that customers would become more reliant on emergency and friendly-hours credit, which would lead to an increase in upfront costs and potentially discourage the customer from engaging in longer-term sustainable support.

Prescribing emergency credit amounts and friendly credit hours

3.17. A small number of consumer groups, charities and local organisations suggested prescribing the amount of credit provided by suppliers when providing emergency and friendly-hours credit. One consumer group suggested that the repayment rates should be standardised to make it clear for customers at the outset. One supplier indicated that credit

amounts should not be prescribed as they believe that, provided the functions are clearly communicated to customers, suppliers should be able to develop unique selling points and tailored offerings to their chosen demographic.

3.18. One consumer group argued that friendly-hours credit should be standardised across suppliers unless justifiably variable between regions. They believe standardisation of hours would reduce the risk of self-disconnection arising from a lack of understanding or recall of a given supplier's processes. We understand from suppliers that the reasons for different friendly-hours credit hours across suppliers is linked to their different customer service opening hours, which may differ across regions. Another reason appears to be taking into account the small number of older meters where the friendly non-disconnect period is constrained to the times set when the meter was manufactured.

Providing alternative timely support when credit functions technically unfeasible

3.19. As set out above, we proposed to require suppliers to provide a customer with alternative short-term support in a timely manner where it is unfeasible and outside of the control of the licensee to offer emergency and friendly-hours credit. A number of respondents were pleased to see that our proposals had acknowledged technical restrictions with some legacy and gas PPMs inability to provide credit functions. While taking into account these constraints, we were keen to ensure customers with these PPM types do not miss out from the protection offered by short-term support.

3.20. Some suppliers sought clarification on what was deemed suitable as 'timely alternative support'. Other suppliers raised concerns about the number of 'wind-ons' that may be required, and the costs associated with this.³⁵ One consumer group suggested that we follow similar guidelines to that of the Guaranteed Standards of Performance for PPMs as a guiding principle for what is deemed as timely support.

Taking a customer's ability to pay into account

3.21. Two suppliers felt that they should not need to take a customer's ability to pay into consideration when offering emergency and friendly-hours credit as it would be impractical to do so. It was argued that the credit functions were designed as a short-term 'advance' and

³⁵ A wind-on involves an engineer visiting the property to add credit to the meter manually.

that unless it is being used in a way that clearly indicates an underlying problem, ability to pay would not need to be considered. They also pointed out that the amount of credit provided must take into account both the immediate needs of the customer but also that it will add to any debt on their account which would need to be repaid overtime.

3.22. In contrast, another supplier suggested that where it is known that a customer is unable to repay the emergency and/or friendly-hours credit, the customer's ability to pay should be considered. The supplier caveated that the removal or reduction of further credit could be appropriate to ensure the customer does not move further down in a debt spiral.

Working draft licence condition definitions

3.23. Although the proposal was supported in principle, there were some concerns around the proposed working draft licence conditions. Specifically, a few suppliers suggested modifications to the definitions of emergency and friendly-hours credit. It was felt that the "interest free fixed loan" definition introduced wider connotations and was not applicable to all scenarios, such as when a customer would be unable to pay the credit back.

Our final proposals: emergency and friendly-hours credit

Offering emergency and friendly-hours credit to all prepayment customers

3.24. **After considering stakeholder responses, we intend to proceed with the proposal to require suppliers to offer emergency and friendly-hours credit to all prepayment customers. These will be minimum standards for all suppliers.**

3.25. We were clear in the policy consultation that these are solutions that will help customers who are experiencing difficulties with topping-up in the short-term and deliver the following outcomes: reducing the number of self-disconnections, enabling customers to quickly get back on supply and to limit any physical and/or emotional impacts of a self-disconnection. As a short-term protection, this gives customers who are facing temporary financial difficulties some breathing space to top-up their meters.

3.26. Regular use of emergency credit could also help to identify consumers who are struggling with their energy bills. By formalising these measures, we believe it will also incentivise suppliers to explore longer-term methods of support at the same time as ensuring a customer has support in a time of crisis.

Provision of information

3.27. **After considering stakeholder feedback, we continue to consider that information provision is an important part of the policy proposal.** We believe that it is crucial that consumers are aware of the protections available to them and are aware of how to operate them. A consumer group’s research suggests that around 80% of self-disconnections were down to ‘organisational’ causes such as customers not realising that their meter was low on credit.³⁶ By ensuring that consumers have the appropriate information and access to the credit functions, it will likely reduce the risk and impact of a large proportion of self-disconnections.

3.28. Alongside the provision of the credit functions, our evidence showed the way that this support is promoted and accessed is also largely inconsistent. By increasing the awareness of the credit functions, consumers will be more confident in the existence, application and accessibility of these protections. This will also benefit those who were previously unaware of the support mechanisms that were available.

3.29. We propose to keep the same drafting on information provision in SLC 27A as per the policy consultation and maintain our proposal to introduce an additional requirement on information provision around credit functions when a prepayment meter is installed as part of the existing SLC 28.1, with minor changes to the names of the functions as discussed in this document (see Appendix 2 for proposed draft licence conditions). This addition to SLC 28.1 is to ensure consistency across the rulebook and ensure customers are aware of the support available at all points of the customer journey.

Prescribing emergency credit amounts and friendly credit hours

3.30. **After considering stakeholder feedback from the policy consultation, we do not intend to prescribe credit amounts or specific hours. The obligation across all suppliers to provide these credit functions sets a minimum standard.** As set out in the policy consultation, we believe that suppliers are best placed to assess the value of emergency and the specific hours when friendly-hours credit is provided.

³⁶ Citizens Advice (2018) [Switched On: Improving support for prepayment consumers who’ve self-disconnected](#)

3.31. The value of the emergency credit usually available to a customer varies across suppliers, meter type and fuel, with the range being offered between £5-£20 per fuel.³⁷ We have seen examples of suppliers trialling different amounts of emergency credit along these thresholds and we encourage all suppliers to consider what is in the best interest of their customers.

3.32. With regards to friendly-hours credit, suppliers will be required to offer this to customers overnight, at weekends and public holidays. This provides a level of standard required but does not prescribe the timings, given regional differences in public holidays across GB and differences in supplier contact centre opening hours. We believe that suppliers are best placed to assess suitable hours of credit for their customers. We have seen examples of suppliers extending these where appropriate over holiday periods and welcome this logical approach where applicable.

3.33. During the COVID-19 crisis, we have seen most suppliers increase and extend the provision of emergency and additional support credit, with amounts varying between £20 - £49. We encourage suppliers to maintain a flexible approach moving forward. We also believe that not using prescription ensures this proposal remains fit for purpose in the future and is in line with our principles-based regulation approach.

Providing alternative timely support where not technically feasible to offer credit functions

3.34. **After considering stakeholder feedback from the policy consultation, we intend to proceed with our proposal and we provide further clarification on what is meant by alternative support here.** As set out above, the policy intent is to ensure that customers who have a traditional gas PPM and certain electricity legacy PPMs remain protected. Two suppliers asked for greater guidance on what this support could look like, they also suggested that there was difficulty in providing 'technical' alternatives.

3.35. Our policy intent is to provide suitable alternatives to consumers. As the smart meter roll out continues, we agree with suppliers that it may not be technically or financially feasible to upgrade the functionality of certain electricity meters and traditional gas meters to provide friendly-hours credit. However, we consider there are a number of ways in which customers

³⁷ Evidence from Ofgem (2019) Supplier Request for Information

can be supported in this situation, many of which have been put forward by stakeholders during the consultation. For example:

- Where a customer's legacy meter does not allow for additional credit functionalities, it may be appropriate for suppliers to offer to provide the customer with a smart meter, which provides the friendly-hours credit capabilities.
- For those meters unable to operate friendly-hours credit, a greater level of emergency credit could be provided, if it is needed or requested close to a time where it is likely the friendly-hours credit function would be available for customers on other PPMs (eg evening or late afternoon or a Friday before a Bank Holiday weekend).
- As acknowledged by a number of consumer groups and suppliers the use of 'wind-ons'³⁸ may be an effective solution or;
- Modifying debt collection rates which would allow for more credit to be used for ongoing consumption were also highlighted as suitable approaches.

3.36. We believe that there is no prescriptive 'alternative method' to providing these credit functions and suppliers should continue to assess and act on customers' needs on a case-by-case basis. When identifying a customer in difficulty and without access to funds or the means with which to access their energy supply, suppliers should provide the most suitable support in a timely manner as set out in the examples here. We welcome further sharing of good practice by suppliers in this area.

Taking a customer's ability to pay into account

3.37. **After considering responses to our policy consultation, we maintain the view that a customer's ability to pay should be considered in some cases when repaying emergency and friendly-hours credit.** We propose some changes to the draft licence conditions to better reflect this policy intent.

³⁸ A wind-on involves an engineer visiting the property to add credit to the meter manually.

3.38. The credit functions are there to provide short-term support and should not be used as a way of combating ongoing affordability issues. However, agreeing a manageable repayment of emergency credit, if required, will help to reduce repeated requests of credit and is ultimately in the best interests of all parties. When repayment rates are not in line with the individual customer's ability to pay it can create a situation where there is a lack of funds for ongoing consumption. This increases the risk of repeat self-disconnections occurring.

3.39. Given the above, we have included an additional component to the licence condition under 27A.4. We believe that it now reflects the need to take all reasonable steps to ascertain the customer's ability to pay and take this into account when calculating repayment instalments should the customer be identified as being in financial difficulty. We are not suggesting that a supplier would need to ascertain each customer's ability to pay when they request emergency or friendly-hours credit, but this protection would apply to those customers who have been identified as in actual or potential financial difficulty and would benefit from a structured repayment plan to pay-off the credit, as opposed to the initial sum provided to the customer. Our proposed changes to the working draft licence conditions are shown below.

Provision of Emergency Credit and Friendly-hours Credit

27A.2 Where a Domestic Customer uses a Prepayment Meter the licensee must offer Emergency Credit and Friendly-hours Credit to **that** Domestic Customer, unless it is technically unfeasible and / or outside of the control of the licensee to offer **those** credit facilities **to that Domestic Customer**. ~~In assessing the sum of Emergency Credit and Friendly Credit offered and the related repayment rate, the licensee must adhere to SLC 27.8.~~

27A.34 Where it is technically unfeasible **and / or** outside of the control of the licensee to offer Emergency Credit and Friendly-hours Credit to the Domestic Customer, the licensee must take all reasonable steps to provide that Customer alternative short-term support in a timely manner.

27A.4 Where paragraph 27A.2 applies, if the licensee becomes aware or has reason to believe that a Domestic Customer is having or will have difficulty paying all or part of the Charges, the licensee must adhere to SLC 27.8 when calculating instalments for the Domestic Customer to repay the total amount of Emergency and/or Friendly-hours Credit provided.

Emergency and friendly-hours credit definitions

3.40. **After considering stakeholder responses, our final proposal is to remove the reference to an interest free loan in the credit function definitions.** We recognise that the working definition was not applicable to all scenarios such as, for example, if a supplier determines that the customer is unable to repay the credit. We are now referring to 'fixed amounts' of credit in the case of emergency credit and an "amount of credit provided during evenings, at weekends and public holidays" when referring to friendly-hours credit, which aims to provide a level of standardisation across the market. For clarity we also refer to 'friendly-hours credit' rather than 'friendly credit'.

Condition 27A. Self-disconnection

Definitions

27A.9 In this condition:

"Emergency Credit" means ~~an interest free fixed loan~~ **fixed amount** of credit provided to a Domestic Customer when that Domestic Customer's Prepayment Meter credit runs low or runs out to ensure continuity of [gas / electricity] supply or return on supply.

"Friendly-hours Credit" means an ~~interest free loan~~ **amount** of credit provided overnight, ~~and/or~~ **at** weekends and public holidays to a Domestic Customer when that Domestic Customer's Prepayment Meter credit runs low or runs out to ensure continuity of [gas / electricity] supply or return on supply.

4. Credit functions to reduce temporary self-disconnection and self-rationing: additional support credit

Section summary

In this section we summarise stakeholder responses to our policy consultation and outline our final proposals regarding the provision of additional support credit for vulnerable consumers.

4.1. We intend to proceed with our initial proposal to require suppliers to offer additional support credit to customers in vulnerable circumstances with some changes to the draft licence conditions to further clarify instances where additional support credit must be provided. This is another important short-term method to get customers back on supply and is tailored for customers in vulnerable circumstances who need extra support.

4.2. We have updated the previous terminology of 'discretionary credit' provided to vulnerable consumers to 'additional support credit'. This is to better reflect our policy intent and the obligatory nature of the requirement for customers in a vulnerable situation. The proposed legal definition of 'additional support credit' is used throughout this document.

Existing arrangements and issues identified

4.3. On top of emergency and friendly-hours credit, additional support credit is another short-term method of support, which is often added to a customer's meter at their direct request. This function tends to be tailored for customers in vulnerable circumstances who need extra support. Similar to the emergency and friendly-hours credit functions, this is currently a voluntary practice in the market.

4.4. The majority of suppliers are already offering additional support credit to their customers, which we welcome. We know that consumer groups believe that additional support credit is an effective solution to the majority of temporary financial crisis self-

disconnection cases.³⁹ There has been a steady increase in requests by customers for additional support credit year on year between 2016 and 2018.⁴⁰ Although we found that the support was widely available, the credit is not widely advertised, with customers having little awareness that the feature is available.

4.5. The additional support credit is repayable in the majority of cases. Suppliers offer customers the ability to repay such credit in instalments, or on occasion, write off the credit as a goodwill gesture. There are differences in the market in the provision of additional support credit. Some suppliers operate a policy on the frequency of credit provided and the limits vary, with some suppliers operating a hard limit, and others offer more flexibility as they assess provision of additional support credit on a case-by-case basis.

August 2019 policy consultation proposals

4.6. In our policy consultation we proposed that suppliers must offer additional support credit to customers in vulnerable circumstances who have been identified as having self-disconnected via supplier's own monitoring or where the customer or a third party has informed the supplier.

4.7. We also proposed that suppliers operate the value, frequency and repayment rates of the additional support credit on a case-by-case basis through conversations with the customer which take into account the severity of each situation and each customer's ability to pay.

4.8. We acknowledged that there are areas of risk that will need to be mitigated, including instances where suppliers do not believe that it is in the best interest of the customer to provide further repayable credit. In these scenarios, we would expect the supplier to review the customer's repayment rates for both the pre-existing debt and additional support credit, in line with the Ability to Pay principles and signpost to additional support that could benefit the customer. Similar to the emergency and friendly-hours offering, we proposed that suppliers should actively promote and offer this support to customers in vulnerable situations. Information should be easily accessible to customers, at all points of contact, including the

³⁹ Citizens Advice (2018) response to [Prepayment self-disconnection and self-rationing – a call for evidence](#).

⁴⁰ Evidence from Ofgem (2019) Supplier Request for Information

registration process and in situations where a customer moves from a credit meter to a prepayment meter.

Summary of consultation responses: additional support credit

4.9. There was a mixed response from stakeholders on the 'discretionary credit' proposal, now referred to 'additional support credit'. The general consensus was that additional support credit is an effective short-term measure and that this proposal would increase consistency across the market. One stakeholder believed that this should be part of the minimum service suppliers are obligated to provide. It was noted that there needs to be a balance between providing multiple short-term support methods and tackling the underlying debt problem being experienced. Below we have set out key components of the proposals stakeholders particularly commented on.

Provision of additional support credit

4.10. A major concern raised by the majority of suppliers was the interpretation that the proposal was to create an unlimited obligation that additional support credit must be provided upon every request(s). A number of suppliers were concerned that raising awareness of the credit function could lead to customers believing that this was an entitlement and therefore a hindrance when attempting to engage in more sustainable solutions. Other suppliers raised concerns about the potential increase in upfront costs for suppliers that the proposal could create.

Limiting repeated requests of additional support credit

4.11. There was a varied response to the issue for limiting requests for additional support credit. A consumer group suggested that there should be no limit on the amount of times a customer should be able to request the credit where it has been repaid, but suppliers should also be prevented from placing an automatic bar on further requests where previous vends have not been fully repaid. An industry trade organisation agreed with this approach, and believed that requirement to treat each application on its merit must be underlined, customers should not be restricted to rigid rules on limits of credits and setting repayment rates.

4.12. Some suppliers pointed out that the proposed working draft licence conditions were contradictory due to the language of "must offer" and "case-by-case basis" being used.

Repayment rates aligned with ability to pay

4.13. Nearly all stakeholders agreed that each time additional support credit is provided, it is an opportunity to review a customer's situation. There were some varying views on when this should take place. A consumer group suggested that it should be assessed after the event (and reconnection) as they may not be well placed to discuss this during times of crisis.

Working draft licence conditions

4.14. There were three elements of the proposed working licence conditions that drew comments and suggestions for modification. The first being the drafting of 'must offer' and the connotations that it may carry, which was believed to be preventing suppliers from having a conversation with the customer to come to the most suitable arrangement (eg lowering repayment rates, providing a fuel voucher).

4.15. One supplier noted that the working draft included reference to self-rationing and questioned whether they would be required to provide credit at each request (with the 'must offer' drafting). This may create a situation where suppliers would be compelled to provide additional support credit credit to those who reported an instance of self-rationing.

4.16. The definition of 'discretionary credit', now referred to as 'additional support credit', received similar pushback regarding the drafting of the 'fixed short-term loan' text as with the other credit functions, citing that there are scenarios where the customer will not be required to pay back the credit.

Our final proposals: additional support credit

4.17. After considering stakeholder responses, we intend to proceed with this proposal with some modifications. Below we have set out all our policy intent and proposed changes, and in Appendix 2 we have outlined a summary of the proposed draft licence conditions.

Discretionary credit definition

4.18. **After considering stakeholder responses, we are proposing to change the terminology of the definition to Additional Support Credit.** With the proposed requirements, we recognise that using the term 'discretionary' did not reflect the policy intent of the credit provision, as outlined above. We intend to update all legal references with the new terminology. We are also proposing to remove the connotations of an interest free fixed

loan in the definition of Additional Support Credit, refining it to relate to a fixed amount of credit provided to a customer.

Condition 27A. Self-disconnection

Definitions

27A.9 In this condition:

“Discretionary Credit” Additional Support Credit means an interest-free fixed loan **fixed amount** of credit provided to a Domestic Customer in a Vulnerable Situation when that Domestic Customer’s Prepayment Meter credit runs out to ensure return on [gas / electricity] supply

Provision of additional support credit

4.19. **After considering stakeholder responses, we intend to proceed with this proposal with some modifications.** We believe that the policy intent of requiring suppliers to provide additional support credit to customers in a vulnerable situation is proportionate; however, after considering stakeholder responses it is clear that there is some ambiguity around the policy intent.

4.20. We are proposing to clarify the situations in which a supplier would be obligated to provide additional support credit to a customer. We expect suppliers to offer additional support credit where they have identified a customer in a vulnerable situation as having self-disconnected, or should they through existing obligations, identify a vulnerable customer who is self-rationing their energy usage who would benefit from this credit to stay on supply. However, we know that this may not always be in the customer’s interest if this means they will get into unsustainable levels of debt. We therefore propose to clarify, by adding a new condition, that should the supplier deem the additional support credit is not in the customer’s best interest, they are not required to provide this credit and alternative support should be provided instead as part of suppliers existing obligations.

4.21. In reference to the drafting of “best interests of the Domestic Customer” within this licence condition, the types of factors which could be considered in this assessment can include, but are not limited to: repeated and unsustainable reliance by the customer on the additional credit which indicates this is not the best support mechanism and there are more appropriate alternatives. Other examples include, evidence to demonstrate that the customer cannot repay previous credit and has failed to engage constructively on repayment. This non-

exhaustive list is intended to clarify situations, which can be taken into account by a supplier when coming to a reasoned judgement on the provision of additional credit.

4.22. Where suppliers determine that the additional support credit is not a suitable solution, they should go beyond the credit functions and provide alternative methods of support as part of their existing obligations. It is vital that suppliers offer better signposting of services that can support vulnerable consumers to improve the energy efficiency of their properties, deal with any issues around the location or condition of their meter, and to better manage their finances. In our policy consultation we outlined some additional support that is available, for example the Warm Home Discount (WHD), free debt advice, trust funds and non-repayable grants. Providing and/or signposting to these features would address both the short-term financial difficulties and provide further holistic support to prevent the continual build-up of debt and possible unsustainable use of the additional support credit function in the future.

Providing additional support credit to those who are self-rationing

4.23. We propose to keep reference of self-rationing in the draft licence condition. We believe that retaining this will reflect that additional support credit is often accessed ahead of a self-disconnection event, in cases where customers are severely limiting their energy use. This would be particularly advantageous if the customer was in between payments and needed some short term support to allow ongoing consumption to continue.

4.24. We believe that the priority should always be to ensure that the customer is able to stay on supply, or return to supply as quickly as possible. In scenarios where a customer is repaying a debt on the meter through weekly repayments, they may not have enough funds to simultaneously repay the debt and keep the meter topped-up for consumption, as a result of a short-term financial crisis. In this situation, the additional support credit provision would help the customer to stay on supply.

Limiting repeated requests

4.25. **Based on stakeholder responses, we do not intend to include reference to limiting repeated requests in the proposals.** We propose that suppliers operate the value, frequency and repayment rates of the additional support credit on a case-by-case basis through conversations with the customer which take in to account the severity of each situation and each customer's ability to pay. We would like to see suppliers take into account previous repayments of additional support credit. For example, where a customer has shown

that they have fully repaid a previous credit sum, we believe that there shouldn't be a limit on when a customer can receive additional credit.

4.26. Customers who will be protected include those who need short-term financial support due to temporary affordability issues, but it may also include those who need short-term support due to temporary accessibility issues, for example a single household customer returning from hospital and having difficulty in accessing top-up points.

Aligning repayment rates with ability to pay

4.27. **Based on stakeholder responses, we do not intend to make any changes to the policy intent.** Suppliers should consider a customer's ability to pay when setting repayment rates for additional support credit. We have been clear that this is an important step in the process of repaying credit and will reduce the risk of the customer requiring further additional support credit to manage ongoing consumption needs whilst clearing the debt owed simultaneously.

4.28. Suppliers should operate repayment rates of any additional support credit provided on a case-by-case basis through conversations with the customer which take into account the severity of each situation and each customer's ability to pay. We would like to see suppliers take into account previous repayments of additional support credit when providing further amounts of credit. This proposal should incentivise suppliers to carry out these assessments and provide sufficient support to avoid a cycle of providing multiple additional support payments.

Provision of ~~Discretionary Credit~~ Additional Support Credit

~~27A.5 Subject to paragraph 27A.7, on each and every occasion on which a licensee identifies that a Domestic Customer who is in a Vulnerable Situation has Self-Disconnected and / or has Self-Rationed or is Self-Disconnecting and / or Self-Rationing, where the licensee has identified a Domestic Customer who uses a Prepayment Meter as being in a Vulnerable Situation, and that Domestic Customer encounters an event of Self-disconnection and/or Self-rationing, the licensee must offer Discretionary Credit to that Domestic Customer in addition to the support offered in SLC 27A.3 and 27A.4~~ **Additional Support Credit** ~~paragraph 27A.2. In assessing the sum and frequency of Discretionary Credit offered and the related repayment rate, the licensee must consider this on a case by case basis and must adhere to SLC 27.8.~~

~~27A.6 Where paragraph 27A.5 applies, on each occasion on which the licensee offers Discretionary Credit, the licensee must assess the sum of Discretionary Credit it offers to the Domestic Customer and calculate the instalments for the Domestic Customer to repay the Discretionary Credit it offers to the Domestic Customer in accordance with SLC 27.~~

~~27A.7 Should the licensee, acting reasonably and having fully considered and complied with its obligation in paragraph 27A.5 and 27.A6 (apart from actually offering the Domestic Customer Discretionary Credit), determine that the provision of Discretionary Credit to the Domestic Customer is not in the best interest of the Domestic Customer the licensee shall not be obliged to provide Discretionary Credit under SLC27A.5 to that Domestic Customer on that occasion, however, the licensee must provide alternative appropriate support to that Domestic Customer in accordance with SLC 0 and SLC 31G.2.~~

5. Ability to Pay principles to reduce ongoing self-disconnection and self-rationing

Section summary

In this section, we outline stakeholder responses and our final proposals to improve outcomes for energy consumers to reduce ongoing self-disconnection and self-rationing by updating the existing Ability to Pay principles and incorporating these within the supply licence conditions.

Existing arrangements and issues identified

5.1. We introduced the 'Ability to Pay' (ATP) principles in 2010. The principles set out the key considerations we expect suppliers to take into account when assessing a customer's ability to pay if they are in actual or potential payment difficulty, as part of their compliance with supply licence condition 27.8.⁴¹ They set out the minimum standards we expect suppliers to meet in this area to ensure that customers are treated reasonably and fairly particularly those in vulnerable circumstances.

5.2. For example, as part of the principles, we expect suppliers to proactively monitor arrangements after they have been set up to check whether a prepayment meter (PPM) is being used initially and on an ongoing basis and to monitor failed arrangements, which should help identify customers who are at risk of self-disconnection and/or self-rationing.

5.3. In our policy consultation and as part of our Consumer Vulnerability Strategy 2025, we identified that not all suppliers were considering customers' ability to pay sufficiently when setting repayment plans as evidenced through the Social Obligations Reporting data. In 2018, the overall number of customers in debt increased by 4.2% in electricity and 4.8% in gas in 2018 (1.3m for electricity and 1.04m for gas). Within this, there was an increase in the number of customers in arrears without a repayment plan, which indicates that more

⁴¹ Ofgem (2010) [Review of suppliers' approaches to debt management and prevention](#); [Debt Review report: key Principles for taking ability to pay into account](#)

customers were falling behind on their bills who are not being engaged with effectively or where there is a delay in contact.⁴²

5.4. Our review also showed that some suppliers were not adhering to some of the minimum standards as demonstrated by evidence from consumer groups. Where the principles were taken into account, the evidence showed that some suppliers were not taking a consistent approach when applying the principles. In 2018, while we saw the average repayment rate going down overall, we had concerns about weekly repayment rates among small and medium suppliers. These suppliers continued to have on average a higher proportion of customers in the highest repayment bracket (over £15 weekly repayment rate) compared to larger suppliers. It is not obvious that this reflected small and medium suppliers having more affluent indebted consumers.

5.5. During the COVID-19 crisis, suppliers have agreed to support those who are impacted financially as a direct or indirect result of COVID-19 based on individual circumstances. We have seen suppliers suspending credit meter disconnections and other debt recovery activity. We believe that that the ATP principles will hold even greater importance as the COVID-19 crisis is moving into a new phase. Consumers are likely to have built up debt over the period since March 2020 when a national lockdown was imposed, and some may struggle with their finances as a result of the crisis. We expect that a consistent and proportionate approach is taken by suppliers during the recovery of any energy debt.

August 2019 policy consultation proposals

5.6. We proposed to incorporate the 2010 ATP principles into the supply licence conditions to give the principles further prominence and ensure suppliers uniformly apply these principles. We had concerns that not all suppliers were consistently applying the ATP principles when setting up repayment plans. We also proposed to update the ATP principles to reflect changes in supplier debt recovery practices and ensure they are future-proof.

5.7. We identified that the ATP principles could be updated to include new requirements relating to informing customers on how debt and certain charges are recovered. This would include an expectation that suppliers make it clear to customers how their debt would be recovered where repayment rates are a proportion of the customer's top-up rather than a

⁴² Ofgem (2019) [Vulnerable consumers in the energy market: 2019](#)

fixed weekly amount. Additionally, we expect suppliers to provide information to customers regarding how debt repayment rates for other charges (such as charges for additional support credit or the replacement of cards and keys) are added as debt to the meter. We asked for stakeholder views on updates to the ATP principles.

Summary of consultation responses: Ability to Pay principles

5.8. Below we have set out a summary of the stakeholders' feedback and suggestions regarding incorporating and updating of the ATP principles and in the next section we outline our final proposals, including how we have assessed policy impacts. As of May 2020, consumer groups have urged Ofgem to progress with the final proposals including on the ATP principles.

Incorporating the Ability to Pay principles into the licence

5.9. The majority of respondents were in favour of our proposal to incorporate the ATP principles in the supply licence. Consumer groups raised concerns that some suppliers were not always following the ATP principles and that they had seen cases of consumers being put on a repayment rate that was too high for the consumers to maintain. This then impacted on customers' ongoing ability to top-up and stay on supply. Inappropriate debt repayment rates can lead to customers self-disconnecting.

5.10. Three suppliers opposed the incorporation of the ATP principles into the licence conditions, saying that licensees are already obligated by the current licence conditions to take these principles into account. They believe the incorporation of the ATP principles would not bring any additional changes to supplier behaviour. Three stakeholders (including two suppliers) expressed concerns that incorporating the ATP principles into the supply licence would result in a more prescriptive approach to regulation.

5.11. Two suppliers asked Ofgem to consider conducting an Impact Assessment (IA) to provide a degree of clarity on the effects of the introduction of these principles and what effect they would have on supplier processes.

5.12. One supplier who agreed with the proposal to include the ATP principles in the licence, also called for the inclusion of the principles as part of the new supply licence application process. A consumer group questioned whether new entrants to the market in particular are abiding by the ATP principles. They believed that these suppliers were not intervening early

enough with indebted consumers and not offering a sufficient range of repayment options at affordable rates. We note that the requirement introduced in June 2019 as part of the new application process for a gas or electricity licensee, covers consideration of ability to pay. We published our guidance on this process in June 2019, with more detail provided in section 4.72 and 4.73.⁴³

Updating the Ability to Pay principles

5.13. The majority of respondents were in favour of updating the ATP principles to reflect the changes outlined in our policy consultation document. There were some concerns from a number of suppliers around the impact that any changes would have on supplier practices including whether changes would lead to further costs for suppliers. Some suppliers requested that this be included within an IA.

Setting repayment rates based on ability to pay

5.14. We received mixed opinions from stakeholders on our proposals to update the requirements around setting repayment rates.

5.15. Two consumer groups suggested that Ofgem should update the ATP principles by setting out that debt repayments should be repaid as a percentage of a top-up, rather than a weekly amount. They believe that this would prevent any further missed debt repayments from a weekly amount, particularly if the consumer does not have any funds at the time that the repayment is due. Consumer groups noted that this would be likely to happen following changes to working hours/employment status and that fixed weekly amount arrangements may be more difficult for the consumer to repay.

5.16. We heard from two consumer groups and one supplier that the standard default rate may be too high for some consumers to afford to pay. Evidence from consumer groups showed that they have encountered consumers with repayment rates with as much as 50% of the top-up and in one incidence 90% of the top-up.

5.17. Two suppliers objected to having a requirement to take the debt repayment as proportion of the top-up. They believed that where the consumer cannot make a top-up, the

⁴³ Ofgem (2019) [Applying for a gas or electricity licence](#)

outcome would be no repayment commitment from the consumer, which would not be helpful for the supplier or the consumer in the long-term. One supplier asked Ofgem to consider whether having the debt repayment as a proportion of the top-up value rather than a fixed weekly amount would incur any further costs to suppliers.

Debt and/or energy advice

5.18. Two consumer groups and two government bodies called for the addition of offering debt and/or energy advice to consumers who have raised concerns that they are struggling financially and a specific inclusion for advice in the ATP principles. Respondents believe this should be offered as part of the customer experience.

Standard Financial Statement

5.19. One consumer group suggested that Ofgem should encourage suppliers to use the Standard Financial Statement (SFS) as a means of assessing the consumers' ability to pay.⁴⁴

5.20. The SFS tool is used to summarise a person's income and outgoings, along with any debts they owe to assess an individual's income and expenditure when considering debt repayments. Primarily for people seeking debt advice, the SFS tool is mainly used by debt advice providers and other relevant organisations. The spending guidelines in this tool are also updated annually to reflect any important changes. The tool is widely used already by the debt advice sector in England and we are aware some energy suppliers are also using it. Suppliers should consider using an established common tool to summarise consumers' income and expenditure to assess their ability to pay.

Third party debt collectors

5.21. Three stakeholders asked for further guidance from Ofgem on the role of third party debt collectors. They would like to see principles that have an impact on the consumer experience of debt recovery, including conduct of third party debt collectors.

⁴⁴ See [Standard Financial Statement](#)

Our final proposals: Ability to Pay principles

Incorporate the Ability to Pay principles in the licence

5.22. We have considered the responses and **we intend to proceed with our proposal to incorporate the ATP principles** within the supply licence conditions. The intention behind incorporating the ATP principles into the licence is to give these principles further prominence and put emphasis on consumer protection for customers who are in potential and actual financial difficulty by ensuring that all suppliers sufficiently consider customers' ability to pay. We also want to ensure consistency across the market.

5.23. We believe that using a narrow approach does not go against our principles-based approach. We have always been clear that we will use a more prescriptive approach where we feel this is needed.

5.24. We are proposing to introduce a new supply licence condition, which will set out the ATP principles, see Appendix 3 for the proposed draft licence conditions.

Update the Ability to Pay principles

5.25. Following our assessment of stakeholder responses, **we intend to proceed with updating the ATP principles** initially published in 2010. With reference to the original six principles, we are proposing to retain these existing principles, with updates to some of them. We are also proposing to include one additional principle regarding engagement of customers after an initial occurrence of a failed repayment.

5.26. Appendix 3 includes a table with the 2010 ATP principles alongside our proposed changes to the supply licence conditions for ease of comparison. Below we provide further detail on how we are planning to update each of the principles.

5.27. We do not anticipate significant costs to be incurred by suppliers as a result of the update to the existing principles and we have provided further detail in the accompanying draft IA. Costs are likely to be incurred through training or re-training of staff to reflect the updates, as for example we are proposing to reflect that debt advice is provided at this stage. The proposals will also likely have some impact on customer service, as for example we are proposing to ensure that once a customer in payment difficulty is identified suppliers are using every contact as an opportunity to gain more information about the customers' ability

to pay. We do not expect a significant cost to industry as a result of the introduction of the new principle.

Principle: Having appropriate credit management policies and guidelines

5.28. We propose to make some small changes to clarify the policy intent of the original principle, as highlighted in the box below.

- (a) Having appropriate credit management policies and guidelines, which includes:
- (i) Allowing for customers to be dealt with on a case-by-case basis; and
 - (ii) Linking staff incentives to successful customer outcomes not the value of repayment rates.

Principle: Making proactive contact with customers

5.29. In line with policy consultation responses, we are proposing to slightly update the original principle to reflect and clarify that suppliers should proactively engage and gain information about consumers where they believe they may be struggling to afford their energy costs. The information will be used to tailor debt repayment plans or services that will help consumers manage their energy costs.

5.30. Suppliers will already have customer service agents in place to have these conversations, at regular intervals, with consumers. However, suppliers may incur some costs from (re-)training agents on how to conduct these conversations. Similarly, as these changes may lengthen the duration of the call with the consumer, there may be an associated increase in the cost related to additional customer services support. However, we expect this to be of low impact for suppliers as highlighted in the IA.

5.31. Under this principle, we are also proposing to include an expectation that as part of proactive contact with customers, suppliers should make them aware of energy and debt advice services when customers raise concerns about their ongoing ability to pay. We recognise that the provision of advice services to all customers falls under SLC 31G. We are proposing to introduce a reference to this provision following feedback from consumer groups that advice should be explicitly offered to consumers who are in financial difficulty. The intention behind this reference is to make sure those in financial difficulty are provided the necessary advice, are aware of the advice options available and how they can access these.

5.32. We do not expect that there will be any significant increase in costs from this provision in making customers aware of the advice services available to consumers. As this is already in

effect under SLC 31G this simply reflects and reinforces the expectation of the current requirement on suppliers.

- (b) Making proactive contact with customers, **which includes:**
- (i) Making early contact to identify whether a customer is in payment difficulty;
 - (ii) Regularly reviewing methods of proactive contact to ensure they meet the needs of customers;
 - (iii) Using every contact as an opportunity to gain more information about the customer's ~~situation~~ **ability to pay when the licensee becomes aware or has reason to believe the customer is having or will have payment difficulty; and**
 - (iv) **Making customers aware of debt advice services when they raise concerns about their ongoing ability to pay, in accordance with SLC 31G.**

Principle: Understanding individual customers' ability to pay

5.33. We intend to update the original principle, to include an obligation on suppliers to provide appropriate channels communication to allow customers to quickly and easily raise concerns and facilitate their engagement. This means providing a variety of different communications methods that are suitable for reaching the consumer. While this list is not exhaustive, methods of communication can include text messages, emails, letters, and phone calls with the consumer. We expect suppliers to try a different method of communication if the original method fails to establish contact with the consumer.

5.34. We also propose to clarify that suppliers should proactively explore payment amounts as well as appropriate payment methods, including alternative debt repayment schemes, eg such as third party deduction scheme also known as Fuel Direct. We believe this change will prompt suppliers to explore options and offer the most appropriate method for repayment that suits an individual consumer's circumstances. Suppliers should make consumers aware of all the available options for payment.

5.35. The discussion on the payment options available is likely to lengthen the duration of engagement between the supplier and consumer, and there may be an associated increase in the cost related to additional customer services support. However, we expect this to be of low impact for suppliers as highlighted in the IA.

(c) Understanding individual customers' ability to pay, which includes:

- (i) Providing clear guidance and training for staff on how to elicit information on ability to pay and monitoring the effectiveness of this;
- (ii) ~~Making it easier for customers to raise concerns~~ Providing appropriate channels for customers to quickly and easily raise concerns and facilitating conversations around customers' ability to pay when requested;
- (iii) Making full use of all available information; and
- (iv) Proactively exploring ~~not only~~ payment amounts ~~but~~ and appropriate payment methods which are appropriate to the individual circumstances of each customer; this includes debt repayment schemes such as those by which payments may be deducted at source from a social security benefit received by that customer.

Principle: Setting repayment rates based on ability to pay

5.36. We propose to update the original principle, to clearly set out that suppliers should only set default amounts when there is insufficient information to ascertain the customer's ability to pay, ie if the supplier cannot establish communication with the customer. In addition, where default repayment rates are set, the repayment rate should be reasonable.

5.37. As a best practice recommendation, we would encourage suppliers to consider using tools to work out when the consumers can reasonably afford to pay based on assessing their income and expenditure. The SFS tool, as referred to paragraph 5.18 is already being used by some energy suppliers. We would encourage suppliers to use an established common tool to summarise consumers' income and expenditure to assess their ability to pay.

5.38. The reason behind introducing this proposed change to the original principle is to ensure that suppliers set a repayment rate that is affordable for the consumer to manage within their own personal limited financial situation. If a supplier has tried to engage with the consumer about setting a repayment and there is insufficient information to assess their ability to pay, we would still want to see suppliers setting a rate that would be affordable to financially vulnerable consumers. The intention is to have an affordable repayment rate that is sustainable for the customer.

5.39. We understand that the repayment of the debt would take longer to repay and may incur additional administration costs from collecting the debt. However, we do not envisage these costs to be significant as highlighted in the IA.

- (d) Setting repayment rates based on ability to pay, **which includes:**
- (i) Ensuring all available information is obtained and taken into account, including the customer's circumstances identified on ~~the~~ **a warrant or site visit** or when installing a **PPM prepayment meter** on a warrant;
 - (ii) **Only setting default amounts when there is insufficient information to ascertain the customers' ability to pay and** where default amounts are set, it should be made clear that these default amounts are guidelines only and in any event the levels should be reasonable; **and**
 - (iii) Not insisting on substantial upfront **payments** before reconnection.

Principle: Ensuring the customer understands the arrangement

5.40. We are proposing to update this principle to take into account that some prepayment meter repayments are taken as a percentage of a customer's top-up rather than as weekly repayments and when repayments are taken as a weekly amount, to ensure customers are aware that debt will be recovered regardless of usage.

5.41. We believe that putting this emphasis on clear communication which allows customers to understand how much they are repaying, how repayments are deducted and when, and what to do if they experience difficulties, it will improve customers' awareness of debt repayment arrangements on their ability to stay on supply. We believe these conversations should already be happening as part of suppliers' communication regarding repayment arrangements and the proposed drafting changes are minor. As such, we do not expect any additional cost implications for suppliers.

5.42. We are also proposing to include reference to PPM customers who have set up weekly repayments to ensure these customers understand that some debt will continue to be recovered regardless of usage. We want to ensure that any customers repaying debt understand that the debt will be recovered regardless of usage and that this information is provided to those that it is relevant to.

- (e) Ensuring the customer understands the arrangement, **which includes:**
- (i) ~~There must be~~ Clear communication with the customer which allows them to understand how much they are **regularly** repaying ~~each week~~; **how the repayment will be deducted**; when the debt will be repaid; and what to do if they experience difficulties **during the arrangement**; and
 - (ii) For PPM **prepayment meter** customers **repaying debt by a weekly amount** ~~this includes~~ explaining that debt will be recovered regardless of usage (~~eg over the summer~~).

Principle: Monitoring of arrangements after they have been set up

5.43. We intend to make small changes to clarify the requirement for suppliers to continue to monitor repayment arrangements to ensure that the repayment plan continues to be manageable for customers. We expect suppliers to check whether the payment plans continue to be suitable and appropriate.

- (f) Monitoring of arrangements after they have been set up, **which includes:**
- (i) Individual arrangements must be monitored:
 - for credit **meter** customers ~~broken arrangements~~ **to check for the occurrence of failed repayment arrangements**;
 - and for PPM **prepayment meter customers** to check whether ~~it~~ **the meter** is being used initially and on an ongoing basis;
 - (ii) ~~There should be monitoring of agreed repayment rates across staff using~~ **Monitoring of the approach taken by staff when agreeing repayment rates, using** call listening and other techniques, to encourage a consistent **and appropriate** approach;

New principle: Re-engaging with the customer after an initial occurrence of a failed repayment

5.44. We are proposing to include a new principle to re-engage with a consumer in the event of an initial occurrence of a failed repayment plan. We would expect suppliers to engage with consumers to find out why the repayment plan has failed and what the supplier can do to make the plan more affordable. Once this is understood, the supplier can make changes to the plan to get the repayments back on track. We consider our definition of a failed repayment plan to be in line with the data we collect as part of the Social Obligation Reporting (SOR).

5.45. This follows feedback from consumer groups that have raised concerns that the reason debt repayment plans fail is because the repayment rate has been set too high to begin with. If the plan fails and the supplier then engages with the consumer, this engagement allows the supplier to propose a more sustainable repayment rate. This engagement should mitigate the likelihood of the consumer from falling further into debt.

5.46. We believe this will be beneficial to the customer as we've had feedback from both suppliers and consumer groups that addressing debt early prevents consumers falling further into debt. The intention behind this inclusion is to ensure suppliers engage early to prevent consumers from accumulating further debt. We understand that this may incur some administrative costs for suppliers from analysing payment data for failed payment plans and from contacting customers. We do not expect that these costs will be significant to the supplier as highlighted in the IA.

(g) Re-engaging with the customer after an initial occurrence of a failed repayment arrangement, which includes:

engaging with the customer to discuss the repayment plan, including whether a different repayment plan or repayment method would be more suitable.

Third party debt collectors

5.47. Under the Standards of Conduct (SLC 0), we expect suppliers and their third party representatives to treat customers fairly. This is something we will monitor closely particularly in light of the COVID-19 crisis. We have clearly set out in our regulatory expectations letter set out that we expect suppliers (and any third parties contracted by them) to ensure that any debt management processes are fair and give careful consideration to the customer's circumstances and ability to pay – we will not tolerate sharp practice or aggressive debt collection and suppliers could face enforcement action where this is the case.⁴⁵

5.48. We also expect debt collection representatives to follow consumer protection legislation and conduct their practices in line with the Consumer Protection from Unfair Trading

⁴⁵ Ofgem (2020) [Impact of COVID-19 on retail energy supply companies – regulatory expectations from 1 July 2020](#)

Regulations 2008.⁴⁶ Part 2, Regulation 7 outlines what is considered to be aggressive commercial practices and we would expect suppliers and their representatives to comply with this legislation. BEIS have also issued guidance on Misleading and Aggressive Commercial Practices⁴⁷, which provides guidance on the updated Consumer Protection Regulations for 2014 for traders to follow. Suppliers and their representatives should review this document and ensure that they follow this guidance.

⁴⁶ [Consumer Protections from Unfair Trading Regulations \(2008\)](#)

⁴⁷ BEIS (2014) [Misleading and Aggressive Commercial Practices: New private rights for consumers: Guidance on the Consumer Protection Regulations 2014](#)

Appendices

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Appendix 1 – August 2019 policy consultation: questions and respondents

- 1.1. We consulted on our initial policy proposals in August 2019 and received 33 formal responses from a wide range of stakeholders including suppliers, industry, government bodies, consumer groups and charities.
- 1.2. We have now updated these proposals in this statutory publication and alongside we have also published all non-confidential responses. Below is a list of questions we asked and a list of respondents in alphabetical order.
 - **Question 1:** Do you agree with our proposal to require suppliers to identify prepayment self-disconnection and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.
 - **Question 2:** Do you agree with our proposal to require suppliers to identify self-rationing and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.
 - **Question 3a:** Do you agree with our proposal to require suppliers to offer emergency and friendly credit functions for all customers? **Question 3b:** Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.
 - **Question 4a:** Do you agree with our proposal to require suppliers to offer discretionary credit for customers in vulnerable circumstances? **Question 4b:** Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.
 - **Question 5:** Do you agree with our proposal to incorporate the Ability to Pay principles in the supply licence?
 - **Question 6:** Do you agree with our proposal to update the Ability to Pay principles to reflect changes in supplier debt recovery practices? Are there other changes that we should implement?
- 1.3. In conjunction with our proposals we also consulted on implementing the following working draft licence conditions:
 - Condition 27A. Provision for suppliers to identify customers who are self-disconnecting and self-rationing and to require suppliers to offer Emergency, Friendly and Discretionary Credit.

- Condition 28. Additional requirement on information provision as part of existing supply licence condition (SLC 28) to offer Emergency, Friendly and Discretionary Credit when a prepayment meter is installed.

1.4. **List of respondents**

Agility Eco

Association of Local Energy Officers

Bristol Energy

Bulb

Cabinet Office

Centrica

Christians Against Poverty

Citizens Advice

Citizens Advice Scotland

E.on

EDF Energy

Energy Poverty Research Initiative

Energy UK

Engie

Extra Help Unit

Fuel Bank Foundation

Glasgow City Council

Greater London Authority

Money Advice Trust

Money and Mental Health Policy Institute

Money and Pensions Service

National Energy Action

npower

Ombudsman: Energy

OVO Energy

People's Energy

Robin Hood Energy

Scottish Government

ScottishPower

SSE

Utilita

Utility Warehouse

Welsh Government

Appendix 2 - Summary of revisions to the working draft supply licence conditions published in August 2019 policy consultation

We have highlighted the new proposed drafting in red and where we have removed parts, we have put a score through the text.

Working draft supply licence conditions - as published in August 2019 policy consultation	Proposed revised draft supply licence conditions – as published in June 2020 statutory consultation (see accompanying Statutory Notices)
<p>Condition 27A. Self-disconnection and Self-rationing</p> <p>Identifying Self-disconnection and Self-rationing</p> <p>27A.1 Where a Domestic Customer uses a Prepayment Meter the licensee must take all reasonable steps to identify whether a Domestic Customer is Self-disconnecting, give due consideration to customers who are in a Vulnerable Situation, and offer appropriate support where needed, in accordance with this SLC 27A.</p>	<p>Condition 27A. Self-disconnection and Self-rationing</p> <p>Identifying Self-disconnection and Self-rationing</p> <p>27A.1 Where a Domestic Customer uses a Prepayment Meter the licensee must: take all reasonable steps to identify whether a Domestic Customer is Self-disconnecting, give due consideration to customers who are in a Vulnerable Situation, and offer appropriate support where needed, in accordance with this SLC 27A.</p> <p>(a) take all reasonable steps to identify on an ongoing and continuous basis, whether that Domestic Customer is Self-Disconnecting; and</p> <p>(b) if the licensee identifies that that Domestic Customer is Self-Disconnecting, offer that Domestic Customer appropriate support in accordance with this condition SLC 27A, SLC 28.7 and all other obligations relating to Prepayment Meter customers,</p>

<p>Working draft supply licence conditions - as published in August 2019 policy consultation</p>	<p>Proposed revised draft supply licence conditions – as published in June 2020 statutory consultation (see accompanying Statutory Notices)</p>
<p>27A.2. Where the licensee has identified a Domestic Customer as being in a Vulnerable Situation, the licensee must take all reasonable steps to identify whether that Domestic Customer is Self-rationing, regardless of payment method, and offer appropriate support where needed, in accordance with this SLC 27A.</p> <p>Provision of Emergency Credit and Friendly Credit</p> <p>27A.3 Where a Domestic Customer uses a Prepayment Meter the licensee must offer Emergency Credit and Friendly Credit to the Domestic Customer, unless it is technically unfeasible and outside of the control of the licensee to offer these credit facilities. In assessing the sum of Emergency Credit and Friendly Credit offered and the related repayment rate, the licensee must adhere to SLC 27.8.</p> <p>27A.4 Where it is technically unfeasible and outside of the control of the licensee to offer Emergency Credit and Friendly Credit to the Domestic Customer, the licensee must take all reasonable steps to provide that</p>	<p>and in deciding what is appropriate support for that Domestic Customer, take into account whether they are in a Vulnerable Situation, as appropriate.</p> <p>27A.2. Where the licensee has identified a Domestic Customer as being in a Vulnerable Situation, the licensee must take all reasonable steps to identify whether that Domestic Customer is Self-rationing, regardless of payment method, and offer appropriate support where needed, in accordance with this SLC 27A.</p> <p>Provision of Emergency Credit and Friendly-hours Credit</p> <p>27A.23 Where a Domestic Customer uses a Prepayment Meter, the licensee must offer Emergency Credit and Friendly-hours Credit to the Domestic Customer, unless it is technically unfeasible and outside of the control of the licensee to offer these credit facilities. In assessing the sum of Emergency Credit and Friendly Credit offered and the related repayment rate, the licensee must adhere to SLC 27.8.</p> <p>27A.34 Where it is technically unfeasible and outside of the control of the licensee to offer Emergency Credit and Friendly-hours Credit to the Domestic Customer, the licensee must take all reasonable steps to</p>

<p>Working draft supply licence conditions - as published in August 2019 policy consultation</p>	<p>Proposed revised draft supply licence conditions – as published in June 2020 statutory consultation (see accompanying Statutory Notices)</p>
<p>Customer alternative short-term support in a timely manner</p>	<p>provide that Customer alternative short-term support in a timely manner.</p>
<p>Provision of Discretionary Credit</p> <p>27A.5 Where the licensee has identified a Domestic Customer who uses a Prepayment Meter as being in a Vulnerable Situation, and that Domestic Customer encounters an event of Self-disconnection and/or Self-rationing, the licensee must offer Discretionary Credit to that Domestic Customer in addition to the support offered in SLC 27A.3 and 27A.4. In assessing the sum and frequency of Discretionary Credit offered and the related repayment rate, the licensee must consider this on a case by case basis and must adhere to SLC 27.8.</p>	<p>27A.4 Where paragraph 27A.2 applies, if the licensee becomes aware or has reason to believe that a Domestic Customer is having or will have difficulty paying all or part of the Charges and a repayment rate is agreed, the licensee must adhere to SLC 27.8 when assessing the related repayment rate for the total amount of Emergency and/or Friendly-hours Credit provided.</p> <p>Provision of Discretionary Credit Additional Support Credit</p> <p>27A.5 Where the licensee has identified a Domestic Customer who uses a Prepayment Meter as being in a Vulnerable Situation, and that Domestic Customer encounters an event of Self-disconnection and/or Self-rationing, Subject to paragraph 27A.7, on each and every occasion on which a licensee identifies that a Domestic Customer who is in a Vulnerable Situation has Self-Disconnected and / or has Self-Rationed or is Self-Disconnecting and / or Self-Rationing, the licensee must offer Discretionary Additional Support Credit to that Domestic Customer in addition to the support offered in SLC 27A.3 and 27A.4 paragraph 27A.2. In assessing the sum and frequency of Discretionary Credit offered</p>

<p>Working draft supply licence conditions - as published in August 2019 policy consultation</p>	<p>Proposed revised draft supply licence conditions – as published in June 2020 statutory consultation (see accompanying Statutory Notices)</p>
<p>Provision of Information</p>	<p>and the related repayment rate, the licensee must consider this on a case by case basis and must adhere to SLC 27.8.</p> <p>27A.6 Where paragraph 27A.5 applies, on each occasion on which the licensee offers Additional Support Credit, the licensee must assess the sum of Additional Support Credit it offers to the Domestic Customer and calculate the instalments for the Domestic Customer to repay the Additional Support Credit it offers to the Domestic Customer in accordance with SLC 27.</p> <p>27A.7 Should the licensee, acting reasonably and having fully considered and complied with its obligation in paragraph 27A.5 and 27.A6 (apart from actually offering the Domestic Customer Additional Support Credit), determine that the provision of Additional Support Credit to the Domestic Customer is not in the best interest of the Domestic Customer the licensee shall not be obliged to provide Additional Support Credit under SLC27A.5 to that Domestic Customer on that occasion, however, the licensee must provide alternative appropriate support to that Domestic Customer in accordance with SLC 0 and SLC 31G.2.</p> <p>Provision of Information</p>

<p>Working draft supply licence conditions - as published in August 2019 policy consultation</p>	<p>Proposed revised draft supply licence conditions – as published in June 2020 statutory consultation (see accompanying Statutory Notices)</p>
<p>27A.6 The licensee must ensure that each Domestic Customer who uses a Prepayment Meter is given adequate information, at an appropriate time, of the licensee’s Emergency Credit, Friendly Credit and Discretionary Credit facilities (as appropriate) including what this is, when this can be used and how this is repaid by the Domestic Customer.</p>	<p>27A.86 The licensee must ensure that each Domestic Customer who uses a Prepayment Meter is given adequate information, at an appropriate time, of the licensee’s Emergency Credit, Friendly-hours Credit and Discretionary Additional Support Credit facilities (as appropriate) including what this is, when this can be used and how this is repaid by the Domestic Customer.</p>
<p>Definitions in this condition:</p>	<p>Definitions</p>
<p>“Emergency Credit” means</p> <p>An interest free fixed loan of credit provided to a Domestic Customer when that Domestic Customer’s Prepayment Meter credit runs low or runs out to ensure continuity of [gas / electricity] supply or return on supply.</p>	<p>27A.9 In this condition:</p> <p>“Emergency Credit” means</p> <p>An interest free fixed loan fixed amount of credit provided to a Domestic Customer when that Domestic Customer’s Prepayment Meter credit runs low or runs out to ensure continuity of [gas / electricity] supply or return on supply.</p>
<p>“Friendly Credit” means</p> <p>An interest free loan of credit provided overnight and/or weekends and public holidays to a Domestic Customer when that Domestic Customer’s Prepayment Meter credit runs low or runs out to ensure continuity of [gas / electricity] supply or return on supply.</p>	<p>“Friendly-hours Credit” means</p> <p>An interest free loan amount of credit provided overnight, and/or at weekends and public holidays to a Domestic Customer when that Domestic Customer’s Prepayment Meter credit runs low or runs out to ensure continuity of [gas / electricity] supply or return on supply”.</p>
<p>“Discretionary Credit” means</p>	

<p>Working draft supply licence conditions - as published in August 2019 policy consultation</p>	<p>Proposed revised draft supply licence conditions – as published in June 2020 statutory consultation (see accompanying Statutory Notices)</p>
<p>An interest free loan of credit provided to a Domestic Customer in a Vulnerable Situation when that Domestic Customer’s Prepayment Meter credit runs out to ensure return on [gas / electricity] supply.</p> <p>“Self-disconnection” means</p> <p>When a Domestic Customer uses a Prepayment Meter and experiences an interruption to their [gas / electricity] supply because the credit on the meter has been exhausted or the credit is not easily accessible.</p> <p>Self-rationing” means</p> <p>When a Domestic Customer deliberately limits its [gas / electricity] use to save money for other areas</p>	<p>“Discretionary credit” “Additional Support Credit” means</p> <p>An interest free fixed loan fixed amount of credit provided to a Domestic Customer in a Vulnerable Situation when that Domestic Customer’s Prepayment Meter credit runs out to ensure return on [gas / electricity] supply”</p> <p>“Self-disconnection” means</p> <p>When a Domestic Customer uses a Prepayment Meter and experiences an interruption to their [gas / electricity] supply because the credit on the meter has been exhausted or the credit is not easily accessible. Terms derived from this, such as ‘Self-Disconnected’ and ‘Self-Disconnecting’ shall be construed accordingly.</p> <p>“Self-rationing” means</p> <p>When a Domestic Customer deliberately limits its [gas / electricity] use to save money for other areas goods or services. Terms derived from this, such as ‘Self-Ration’ and ‘Self-Rationed’ shall be construed accordingly.</p>

Working draft supply licence conditions - as published in August 2019 policy consultation	Proposed revised draft supply licence conditions – as published in June 2020 statutory consultation (see accompanying Statutory Notices)
<p>Condition 28. Prepayment Meters [Extracts]</p> <p>Information about Prepayment Meters</p> <p>28.1 If the licensee offers to enable a Domestic Customer to pay or a Domestic Customer asks to pay Charges through a Prepayment Meter, the licensee must provide, prior to or upon the installation of that meter, appropriate information to that customer about:</p> <p>(bb) <u>the licensee’s Emergency Credit, Friendly Credit and Discretionary Credit facilities as defined in SLC 27A including what this is and when this can be used by the Domestic Customer; and</u></p>	<p>Condition 28. Prepayment Meters [Extracts]</p> <p>Information about Prepayment Meters</p> <p>28.1 If the licensee offers to enable a Domestic Customer to pay or a Domestic Customer asks to pay Charges through a Prepayment Meter, the licensee must provide, prior to or upon the installation of that meter, appropriate information to that customer about:</p> <p>(bb) <u>the licensee’s Emergency Credit, Friendly- hours Credit and Additional Support Credit facilities as defined in SLC 27A including what this is and when this can be used by the Domestic Customer; and</u></p>

Appendix 3 - Summary of revisions to 2010 Ability to Pay principles side by side with new proposed draft licence conditions

We have highlighted the new proposed drafting in red and where we have removed parts, we have put a score through the text.

Key principles for Ability to Pay (2010)	Proposed revised Ability to Pay principles – draft licence conditions (see accompanying Statutory Notices)
<p data-bbox="169 387 775 510">As published in 2010 open letter, Debt Review report: key Principles for taking ability to pay into account</p> <p data-bbox="169 768 703 846"><i>Having appropriate credit management policies and guidelines</i></p> <ul data-bbox="217 864 759 1048" style="list-style-type: none"> • Allowing for customers to be dealt with on a case-by-case basis • Linking staff incentives to successful outcomes not repayment rates <p data-bbox="169 1160 722 1193"><i>Making proactive contact with customers</i></p> <ul data-bbox="217 1211 730 1686" style="list-style-type: none"> • Making early contact to identify whether a customer is in payment difficulty • Regularly reviewing methods of proactive contact to ensure they meet the needs of customers • Using every contact as an opportunity to gather more information about the customer’s situation 	<p data-bbox="791 387 1390 465">Condition 27 Payments, Security Deposits, Disconnections and final Bills</p> <p data-bbox="791 528 1382 701">27.8B For the purposes of ascertaining a Domestic Customer’s ability to pay as set out in paragraph 27.8, the licensee must give due consideration to:</p> <p data-bbox="791 768 1382 846">(a) Having appropriate credit management policies and guidelines, which includes:</p> <ul data-bbox="887 864 1398 1093" style="list-style-type: none"> (i) Allowing for customers to be dealt with on a case-by-case basis; and (ii) Linking staff incentives to successful customer outcomes not the value of repayment rates. <p data-bbox="791 1160 1249 1238">(b) Making proactive contact with customers, which includes:</p> <ul data-bbox="839 1256 1406 2020" style="list-style-type: none"> (i) Making early contact to identify whether a customer is in payment difficulty; (ii) Regularly reviewing methods of proactive contact to ensure they meet the needs of customers; (iii) Using every contact as an opportunity to gain more information about the customer’s situation ability to pay when the licensee becomes aware or has reason to believe the customer is having or will have payment difficulty; and (iv) Making customers aware of debt advice services when they raise

Key principles for Ability to Pay (2010)	Proposed revised Ability to Pay principles – draft licence conditions (see accompanying Statutory Notices)
<p><i>Understanding individual customer’s ability to pay</i></p> <ul style="list-style-type: none"> • Providing clear guidance and training for staff on how to elicit information on ability to pay and monitoring the effectiveness of this • Making it easier for customers to raise concerns • Making full use of all available information • Proactively exploring not only payment amount but appropriate payment methods <p><i>Setting repayment rates based on ability to pay</i></p> <ul style="list-style-type: none"> • Where default amounts are set it should be made clear that these are 	<p style="color: red;">concerns about their ongoing ability to pay, in accordance with SLC 31G.</p> <p>(c) Understanding individual customers’ ability to pay, which includes:</p> <ul style="list-style-type: none"> (i) Providing clear guidance and training for staff on how to elicit information on ability to pay and monitoring the effectiveness of this; (ii) Making it easier for customers to raise concerns Providing appropriate channels for customers to quickly and easily raise concerns and facilitating conversations around customers’ ability to pay when requested; (iii) Making full use of all available information; and (iv) Proactively exploring not only payment amounts but and appropriate payment methods which are appropriate to the individual circumstances of each customer; this includes debt repayment schemes such as those by which payments may be deducted at source from a social security benefit received by that customer. <p>(d) Setting repayment rates based on ability to pay, which includes:</p>

Key principles for Ability to Pay (2010)	Proposed revised Ability to Pay principles – draft licence conditions (see accompanying Statutory Notices)
<p>guidelines only and in any event the levels should be reasonable</p> <ul style="list-style-type: none"> • Ensuring all available information is obtained and taken into account including the customer’s circumstances identified on the warrant visit or when installing a PPM on a warrant • Not insisting on substantial upfront before reconnection. <p><i>Ensuring the customer understands the arrangement</i></p> <ul style="list-style-type: none"> • There must be clear communication with the customer which allows them to understand: <ul style="list-style-type: none"> • how much they are repaying each week; • when the debt will be repaid; and • what to do if they experience difficulties. • For PPM customers this includes explaining that debt will be recovered regardless of usage (eg over the summer). 	<ul style="list-style-type: none"> (i) Ensuring all available information is obtained and taken into account, including the customer’s circumstances identified on the a warrant or site visit or when installing a PPM prepayment meter on a warrant; (ii) Only setting default amounts when there is insufficient information to ascertain the customers’ ability to pay and where default amounts are set, it should be made clear that these default amounts are guidelines only and in any event the levels should be reasonable; and (iii) Not insisting on substantial upfront payments before reconnection. <p>(e) Ensuring the customer understands the arrangement, which includes:</p> <ul style="list-style-type: none"> (i) There must be Clear communication with the customer which allows them to understand how much they are regularly repaying each week; how the repayment will be deducted; when the debt will be repaid; and what to do if they experience difficulties during the arrangement; and (ii) For PPM prepayment meter customers repaying debt by a

Key principles for Ability to Pay (2010)	Proposed revised Ability to Pay principles – draft licence conditions (see accompanying Statutory Notices)
<p><i>Monitoring of arrangements after they have been set up</i></p> <ul style="list-style-type: none"> • Individual arrangements must be monitored: <ul style="list-style-type: none"> • for credit customers’ broken arrangements; • and for PPM to check whether it is being used initially and on an ongoing basis. • There should be monitoring of agreed repayment rates across staff using call listening and other techniques to encourage a consistent approach • Monitoring of failed arrangements to understand whether inappropriate rates are being set • Monitoring of overall repayment rates and recovery periods to understand trends. 	<p>weekly amount this includes explaining that debt will be recovered regardless of usage (eg over the summer).</p> <p>(f) Monitoring of arrangements after they have been set up, which includes:</p> <ul style="list-style-type: none"> (i) Individual arrangements must be monitored: <ul style="list-style-type: none"> - for credit meter customers broken arrangements to check for the occurrence of failed repayment arrangements; - and for PPM prepayment meter customers to check whether it the meter is being used initially and on an ongoing basis; (ii) There should be monitoring of agreed repayment rates across staff using Monitoring of the approach taken by staff when agreeing repayment rates, using call listening and other techniques, to encourage a consistent and appropriate approach; (iii) Monitoring of failed repayment arrangements to understand whether inappropriate rates are being set

Key principles for Ability to Pay (2010)	Proposed revised Ability to Pay principles – draft licence conditions (see accompanying Statutory Notices)
	<p>(iv) Monitoring of overall repayment rates and recovery periods to understand trends.</p> <p>(g) Re-engaging with the customer after an initial occurrence of a failed repayment arrangement, which includes:</p> <p>(i) engaging with the customer to discuss the repayment plan, including whether a different repayment plan or repayment method would be more suitable.</p>

Appendix 4 – Your response, data and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation 2016/379 (GDPR) and domestic legislation on data protection, the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 5.

If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

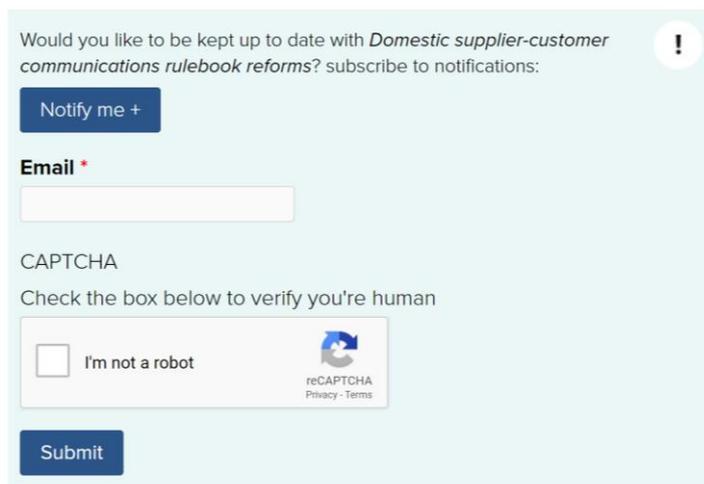
Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website.

[Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations).

Notifications



Would you like to be kept up to date with *Domestic supplier-customer communications rulebook reforms*? subscribe to notifications: !

Email *

CAPTCHA

Check the box below to verify you're human

I'm not a robot  reCAPTCHA
Privacy - Terms

Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:



Appendix 5 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

3. With whom we will be sharing your personal data

Your personal information is never shared with anyone outside of Ofgem. However, we will publish your response to our consultation on our website. If your response includes personal

information we will publish your response as is, unless you tell us you wish to have any names on the document redacted.

4. For how long we will keep your personal data, or criteria used to determine the retention period.

In this consultation, we intend to hold your data for 1 year before it is reviewed.

5. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

6. Your personal data will not be sent overseas.

7. Your personal data will not be used for any automated decision making.

8. Your personal data will be stored in a secure government IT system.

9. More information

For more information on how Ofgem processes your data, click on the link to our "[Ofgem privacy promise](#)".