

Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing

Ofgem Policy Consultation

A Response by Utility Warehouse

This document sets out the views of Utility Warehouse regarding the Ofgem consultation “Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing” published by Ofgem on 23 August 2019.

Utility Warehouse is the UK’s only fully integrated provider of a wide range of competitively priced utility services spanning both the Communications and Energy markets. Customers benefit from the convenience of a single monthly statement, consistently good value across all their utilities and exceptional levels of customer service. Utility Warehouse does not advertise, relying instead on ‘word of mouth’ recommendation by existing satisfied customers and distributors in order to grow its market share.

We take our responsibilities as an energy provider very seriously and make every effort to ensure we provide such essential services to our customers with the utmost integrity; the customer is at the heart of our business model and the way in which we operate. Customer value is the cornerstone of the success we have had and continue to achieve.

We welcome Ofgem’s overall policy intent to improve outcomes for customers who self-disconnect and self-ration. We feel however that Ofgem’s proposals do not fully reflect the complex nature of identifying self-disconnection and self-rationing and the practical challenges suppliers would likely face implementing the proposals as they are currently drafted.

Further, Ofgem do not recognise through the consultation that many affordability issues fall outside of what a supplier can control, i.e. reforms to Universal Credit aggravating financial challenges. It is simply unfair to expect suppliers to address affordability pressures in isolation. In the Draft Vulnerability Strategy 2025, Ofgem themselves recognise that the Government is primarily responsible for setting out a remit to address affordability pressures.

We note Ofgem stating that no supplier is currently actively monitoring self-rationing. We would encourage Ofgem to consider a delayed implementation period following confirmation of the details of this specific proposal to give suppliers the opportunity to put in place suitable processes and systems.

We have provided comments below to specific questions raised by Ofgem in the consultation.

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.

We welcome Ofgem reflecting that some customers self-disconnect by choice or circumstance which doesn’t leave them vulnerable.

We have been undertaking a trial to monitor potential self-disconnection by proactively contacting customers who use Emergency Credit at different frequencies in the previous month. Our own experience from this activity indicates that some customers we contact use

Emergency Credit as a means of reminding them to top up. In this scenario and where customers are self-disconnecting as a lifestyle choice, there is the risk that these customers judge a supplier's contact to be intrusive and unnecessary despite best efforts from the supplier to avoid this. Ofgem should be mindful that a sensible approach is therefore necessary. We would encourage Ofgem to provide further guidance as to what actions suppliers should be undertaking to meet "all reasonable steps" to identify prepayment meter self-disconnection.

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.

We welcome Ofgem outlining the difficulty suppliers face in identifying customers who are self-rationing and we consider a balanced approach is absolutely necessary. This will be particularly challenging for suppliers to identify where the customers have a traditional credit meter and does not provide regular meter readings.

As mentioned in the consultation there are a variety of reasons a customer's energy usage may decrease most notably using energy more efficiently- a lifestyle change which in general should be considered positive. With this in mind, we feel the definition of Self-rationing in the draft license condition is too wide-ranging in terms of the reason why the customer may have reduced their consumption. As an example, there is no mention of saving money for "*other essential*" areas as is described earlier in the consultation (see Paragraph 2.8), instead only on referencing making savings for "*other*" areas.

Question 4a: Do you agree with our proposal to require suppliers to offer discretionary credit for prepayment meter 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.

It is vital that suppliers should be responsible for determining whether discretionary credit is the right option for the customer at a given time and appropriate for the circumstances.

We consider the current drafting of the proposed licence condition 27A.5 in Appendix 1 is contradictory to this view, given it currently states suppliers "*must offer*" discretionary credit, but also states the "*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.*" The drafting of the current license condition appears to prevent suppliers from having the necessary discussion with customers and determining on a case by case basis if discretionary credit is the right option at that time.