

To: Domestic electricity suppliers, BEIS, Scottish Government, Welsh Government, Citizens Advice, Citizens Advice Scotland, and other interested parties

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## **Decision: Extending protections for non-E7 restricted meter customers (SLC 22G: Requirements for restricted meters)**

1. This document outlines our<sup>1</sup> decision to extend protections for the period of time suppliers need to comply with specific provisions of Electricity Standard Licence Condition (SLC) 22G in line with the revised smart meter rollout framework.
2. In September 2020, we consulted on changes to SLC 22G to extend these protections until the year 2025 and give ourselves the power to extend these protections further if necessary. In this document, we outline the reasons for the decisions we have taken, following consultation, and their intended effect. For the sake of brevity, we have not sought to repeat entirely the rationale and evidence base set out in our September 2020 statutory consultation, but instead refer to these documents where necessary.
3. Alongside this document we have published the notice of modification and reasons for our decision to modify standard licence condition 22G. The changes set out in the modification notices published alongside the decision will take effect on and from 00:01 on **27 December 2020**.
4. When considering responses, we have decided to prioritise the need to implement these protections quickly in the first instance. We do not want to have a consumer protection

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<sup>1</sup> The terms "our", "we", "Ofgem" and "Authority" are used interchangeably in this letter.

gap when these protections end on 31 December 2020. We have therefore ruled out large scale changes to the licence condition at this time. However, many stakeholders have made valuable suggestions for future Ofgem work in this area, and we consider these further below.

## **Overview of consultation responses and our views**

5. We received 19 responses to our September 2020 statutory consultation.<sup>2</sup> We have carefully considered and taken into account stakeholders' views. Overall, all respondents to the consultation were supportive of us extending the existing protections to 2025, in line with the smart post-2020 framework. Stakeholders agreed that this is appropriate in order to provide these consumers continued protections and ensure that they are not disadvantaged by delays to the smart meter rollout.
6. Whilst no stakeholders objected to us extending the protections, there were a number of comments on potential changes. Stakeholder responses generally related to five broad themes, which we have outlined below. Some respondents provided detailed comments on the drafting of licence conditions, which we have also addressed below.

### *Our proposal to extend the protections and allow for further extension*

7. Our primary consideration when proposing to extend the protections was to reflect the extended timescales of the smart meter rollout. We also proposed to include a provision to allow us to extend the protections further if necessary.
8. In response to the consultation proposal, two stakeholders want us to follow a consultation process if we were to extend protections again (beyond 2025). Another stakeholder commented on this power to extend, suggesting Ofgem could specify a date that does not align to the new smart meter rollout.
9. Our proposal to include this provision to extend further, if necessary, is based on the same rationale as the initial extension. We will consider extension should there be any further delays to the smart meter rollout. We would not consider further extension if the smart meter rollout is sufficiently complete, as consumers should be able to take on any tariff they wish when they have a technically capable smart meter and therefore, there would be no barrier to switching.

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<sup>2</sup> Ofgem (2020) [Statutory Consultation: Extending protections for non-E7 restricted meter customers \(SLC 22G\)](#)

10. We do not intend to modify the licence condition to require us to consult before extending further beyond 2025. Our proposal aligns with the policy approach we have taken in other work areas that relate to the smart meter rollout, for example SLC 28B (Warrants relating to Pre-payment Meters and other supplier actions to recover debts). Any consideration to further extend the protections will be primarily based on the progress of the smart meter rollout and the availability of smart meters that work with restricted tariffs. We consider this to be a factual assessment and therefore do not believe that there is a need to consult before further extending these protections. We believe this gives stakeholders the policy certainty they need.

#### *How suppliers are communicating options to consumers*

11. In the consultation document we suggested that SLC 22G is not widely known to consumers or advisors. A number of stakeholders agreed with this in their response and have called for an increased focus on the information provision element of the requirement.

12. Consumer groups believe that this stems from a lack of effective communication from suppliers and have reported seeing cases of this nature. The issues appear two-fold, with a lack of knowledge of obligations from suppliers and their frontline staff, leading to a subsequent lack of awareness for consumers or understanding of their rights.

13. There were a number of suggestions from stakeholders on how to improve the awareness of the protections in place. There is a general consensus that a targeted awareness campaign to re-engage consumers would be beneficial. We would support consumer groups taking this campaign forward and would be happy to discuss this with interested groups in further detail.

14. Three consumer groups called for stricter requirements on suppliers to provide information on how restricted meter customers can benefit from these protections, in line with existing customer communication rules in SLC 31.<sup>3</sup> Another consumer group suggested a stricter obligation to provide information in SLC 22G.9 that energy suppliers identify and actively communicate to their restricted meter customers.

15. Several housing associations called for suppliers to provide guidance to consumers about their rights and switching options. They also want Ofgem to communicate with suppliers to reiterate their obligations under this licence condition. Energy UK have

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<sup>3</sup> See [SLC 31 – Domestic Customer information](#)

asked if there are any specific actions that suppliers should be taking to ensure customers on non-E7 restricted meters are being treated fairly.

16. We agree that it is important both suppliers and consumers have a clear understanding of the rules in place and that all suppliers are complying with them. This information provision will only work correctly if suppliers can provide accurate information to consumers on how the protections can benefit them. As outlined above, we would like to see industry and consumer groups take a leading role in increasing awareness of these protections. We welcome conversations on how this can be taken forward.

#### *Market monitoring and compliance*

17. There were a number of comments on monitoring compliance with SLC 22G, with some stakeholders asking for an increase in monitoring and compliance. One response suggested that not all suppliers are currently complying with the licence condition.

18. Consumer advocates have also asked for a list of all suppliers who need to comply with this remedy to be published, to enable them to more easily signpost consumers to suppliers when advising on tariffs. A number of consumer advocates also enquired how they could report non-compliance to Ofgem.

19. As set out in the consultation document, we have continued monitoring compliance with SLC 22G and have recently published case closure notices in two cases. We expect all suppliers to review these compliance notes and their processes for offering tariffs to relevant customers. Where suppliers identify any issues, they should report this to us along with actions to address these issues and compensate customers where necessary.

20. We would encourage all stakeholders who have evidence of potential non-compliance to report this to Ofgem. We can then use this in our monitoring of the market and our prioritisation of compliance work. This can be done through the general contact details on our website.<sup>4</sup> We will also be in touch with stakeholders directly when they have indicated in their response that they are aware of non-compliance.

21. We will consider whether or not we should publish a list of suppliers who have over 50,000 customers, which will enable consumer groups to signpost clients to suppliers who have to offer a single rate tariff to customers with restricted meters. We will need to consider the impacts of this more broadly.

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<sup>4</sup> <https://www.ofgem.gov.uk/contact-us> - This page contains contact details and information for all our enquiry lines, including Ofgem policies and functions

*The scope of the protections – prepayment and microbusiness*

22. In our consultation document we set out our proposal to extend the existing licence condition for domestic consumers, with the same exclusions. This means that domestic customers with restricted meters in prepayment mode are not included, nor are microbusinesses.
23. Over half of respondents (consisting of consumer groups, housing associations and charities) argued that these protections should be extended to prepayment (PPM) customers, particularly as these customers are often in a more vulnerable situation than customers with restricted meters in credit mode. Respondents argued that the protection of the PPM price cap has been taken away and that these consumers are not sufficiently protected. One stakeholder suggested we come back to this issue when time is less of a pressing issue. One respondent also asked if these protections could be extended to microbusiness consumers in the future. Also one respondent argued that the protections should apply to all suppliers, not just those with over 50,000 customers.
24. We recognise that prepayment meter customers are often more likely to be in a vulnerable situation. Ideally these customers would also be covered by these protections, however we do not see how this is possible due to the technical barriers that exist to allow this to happen. We are happy to discuss further with stakeholders how we could overcome these barriers when there is more time to consider this and we do not risk a gap in protections for credit restricted meter customers.
25. On 31 December 2020, the PPM cap is due to expire. We have recently announced that we are extending protection for PPM customers with default tariffs by including a new cap level within the default tariff cap specifically for PPM customers.<sup>5</sup> This decision will continue to ensure that prepayment consumers pay a fair price for their energy, reflecting the costs of supply.
26. We are happy to discuss any evidence stakeholders may have of microbusiness consumers with restricted meters. We have not revised our position on the 50,000 customer threshold, as we do not consider it appropriate to place this burden on smaller suppliers at this time.

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<sup>5</sup> Ofgem (2020) [Decision on protecting energy consumers with prepayment meters](#)

### *Metering and smart metering*

27. We have received a number of questions and requests for clarification regarding smart meter capability and availability of certain types of meter variant. Two stakeholders raised concerns over an emerging issue for some suppliers regarding a potential shortage of certain restricted meter variants. They noted that in certain circumstances, this could lead to some consumers having to unexpectedly change their metering arrangements. Although one stakeholder suggested a more co-ordinated industry approach to find a solution for this issue, we note that as a result of the New and Replacement Obligation<sup>6</sup>, many traditional meter variants are no longer in the supply chain and it may not be possible for energy suppliers to provide traditional meters to all customers who request them.

28. Nevertheless, suppliers must still ensure that appropriate metering arrangements are in place for their customers. Suppliers must procure their own meters from meter manufacturers, and they are responsible for securing a supply of appropriate meter types. We therefore expect suppliers to be engaging with supply chains and industry groups to have interim mitigations in place for those exceptional circumstances, such as emergency installations, where a smart meter solution is not yet available, and to actively push for a progress on securing smart meters for their customers with complex metering.

29. Stakeholders have also asked questions about when the specific smart meter variants, which are able to support restricted meter tariffs, will be available. Suppliers have indicated that they are working with manufacturers to develop and secure a supply of meter variants for their customers with complex metering arrangements, such as twin-element, 5-terminal or 3-phase meters. After revised timelines due to Covid-19, progress has started to be made with new smart meter variants being tested and piloted by different suppliers, and we expect this to continue within the current rollout period.

### *Detailed comments on the drafting of licence conditions*

30. Two respondents provided specific drafting suggestions related to the standard condition 22G of the electricity supply licence. They made the same suggestion as set out in the table on the following page.

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<sup>6</sup> Please see [Government Response to January 2019 Consultation on the New and Replacement Obligation \(NRO\) Activation Date](#). The NRO requires energy suppliers to take all reasonable steps to install a compliant smart meter (ie. SMETS2) wherever a meter is replaced or where a meter is installed for the first time.

| <b>SLC</b> | <b>Suggested amendment</b>  | <b>Respondents' rationale</b>  | <b>Our view</b>  |
|------------|---|--|--|
| 22G.7      | The Relevant Licensee must comply with paragraphs 22G.1 and 22G.2 from 1 September 2017 until 30 June 2025, unless, <u>following consultation</u> , the Authority specifies a later date by publishing a statement in Writing | To allow suppliers the opportunity to make representations before further extension. | As set out earlier in this letter, we do not intend to change the licence condition in this way. Our consideration of extending the licence condition will again be based on the state of the smart meter rollout. This should give the sector sufficient policy certainty of our likely action in 2025. |
| 22G.12     | The Relevant Licensee must comply with paragraph 22G.9 from 1 September 2017 until 30 June 2025, unless, <u>following consultation</u> , the Authority specifies a later date by publishing a statement in Writing.           |  |  |
| 22G.13     | The licensee must comply with paragraphs 22G.10 and 22G.11 from 15 December 2016 until 30 June 2025, unless, <u>following consultation</u> , the Authority specifies a later date by publishing a statement in Writing.       |  |  |

### **Our decision**

31. Having carefully considered the responses to our statutory consultation, we have decided to proceed with the modifications that are set out in this letter and our decision notice published alongside this letter. The effective date for these modifications is on and from 00:01 on **27 December 2020**.

Yours faithfully,

Anna Rossington,  
Deputy Director, Retail Directorate