

**To: All holders of a gas supply licence**

**Gas Act 1986**

**Section 23(1)(b)**

**Modification of the standard conditions of all gas supply licences**

1. Each of the licensees to whom this document is addressed has a gas supply licence which has been granted or treated as granted under 7A(1) of the Gas Act 1986 ('the Act').
2. Under section 23(2) of the Act the Gas and Electricity Markets Authority ('the Authority')<sup>1</sup> gave notice on 29 June 2020 ('the Notice') that we propose to modify standard conditions 27 (Payments, Security Deposits, Disconnections and final Bills), 28 (Prepayment Meters) and introduce new standard condition 27A (Self-disconnection). We stated that any representations to the modification proposal must be made on or before 24 August 2020.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 23(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received 27 responses to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. Our response to these comments is set out in the accompanying decision document.
5. It is necessary to make a number of minor alterations to the modifications set out in the Notice. These alterations are shown in yellow highlight in the attached Schedule 1. The reasons for any differences between the modifications set out in the Notice and the modifications reflected in Schedule 1 are to correct minor typographical errors and clarify policy intent based on consultation responses.

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<sup>1</sup> The terms "the Authority", "we" and "us" are used interchangeably in this document.

6. We are making these licence changes to implement new requirements on suppliers to:

- identify prepayment meter (PPM) customers who are self-disconnecting and offer support as appropriate;
- offer emergency and friendly-hours credit to all PPM customers and additional support credit to PPM customers in vulnerable circumstances; and
- ensure consistent support for customers struggling to pay their bills.

7. In summary, the effect of the modifications will be to bring a sustained reduction in the number of PPM customers who are self-disconnecting each year and to bring more consistency of support by suppliers to all domestic customers who are struggling to pay their energy bills.

8. A more detailed description of the reasons for and effects of these licence modifications can be found in the following documents:

- The accompanying documents to this modification, which are available at: <https://www.ofgem.gov.uk/publications-and-updates/self-disconnection-and-self-rationing-decision>
- Statutory consultation documents – Self-disconnection and self-rationing final proposals, June 2020, which are available at: <https://www.ofgem.gov.uk/publications-and-updates/self-disconnection-and-self-rationing-final-proposals-statutory-consultation>
- Policy consultation documents – Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing, August 2019, which are available at: <https://www.ofgem.gov.uk/publications-and-updates/proposals-improve-outcomes-consumers-who-experience-self-disconnection-and-self-rationing>

9. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 23B of the Act, Rule 5.7 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules<sup>2</sup> requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. The attached Schedule 2 provides a list of the relevant licence holders in relation to this modification. Section 23(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers contained in section 23(1)(b) of the Act, we hereby modify the standard licence conditions for all gas supply licences in the manner specified in attached Schedule 1. This decision will take effect from 15 December 2020.

This document is notice of the reasons for the decision to modify the gas supply licences as required by section 38A of the Act.

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**Neil Barnes**

**Duly authorised on behalf of the Gas and Electricity Markets Authority**

**19 October 2020**

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<sup>2</sup> CMA70 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/655601/energy-licence-modification-appeals-rules.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf)

## Schedule 1: Modifications to standard licence conditions

New text is double underlined and **changes from the Notice are highlighted in yellow**.

Relevant extracts of licence conditions are shown rather than each condition in its entirety.

### Condition 27. Payments, Security Deposits, Disconnections and final Bills

27.8 The licensee must take all reasonable steps to ascertain the Domestic Customer's ability to pay and must take this into account when calculating instalments, giving due consideration to:

- (a) relevant information provided by third parties, where it is available to the licensee; and
- (b) where instalments will be paid using a Prepayment Meter, the value of all of the charges that are to be recovered through that meter.

27.8A 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:

- (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.
- (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 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 Supply Licence Condition 31G.

(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) 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 payment amounts and 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.

(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 a warrant or site visit or when installing a prepayment meter on a warrant;
- (ii) Only setting default amounts when there is insufficient information to ascertain the customer's ability to pay and where default amounts are set, it should be made clear that the repayment rate may change

based on information about the customer's ability to pay. In any event the levels of any default repayment rate should be reasonable; and

(iii) Not insisting on substantial upfront payments before reconnection.

(e) Ensuring the customer understands the arrangement, which includes:

(i) Clear communication with the customer which allows them to understand how much they are regularly repaying; 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 prepayment meter customers repaying debt by a weekly amount explaining that debt will be recovered regardless of usage.

(f) Monitoring of arrangements after they have been set up, which includes:

(i) Individual arrangements must be monitored:

- for credit meter customers to check for the occurrence of failed repayment arrangements;

- and for prepayment meter customers to check whether the meter is being used initially and on an ongoing basis;

(ii) 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

(iv) Monitoring of overall repayment rates and recovery periods to understand trends.

(g) Re-engaging with the customer after an initial occurrence of a failed repayment arrangement, which includes: engaging with the customer in a timely manner to discuss the repayment plan, including whether a different repayment plan or repayment method would be more suitable.

27.8B The licensee must have regard to any guidance on SLC 27.8B (including in respect of definitions which appear in standard condition 1) which, following consultation, the Authority may issue and may from time to time revise (following further consultation).

## **Condition 27A. Self-disconnection**

### **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 the Domestic Customer is Self-Disconnecting, offer that Domestic Customer appropriate support in accordance with this condition, SLC 27A, SLC 27.8 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.

### **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.

27A.3 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.

### **Provision of 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 uses a Prepayment Meter and who is in a Vulnerable Situation has Self-Disconnected or is Self-Disconnecting and/or the licensee becomes aware or has reason to believe that a Domestic Customer who uses a Prepayment Meter and who is in a Vulnerable Situation has Self-Rationed or is Self-Rationing, the licensee must offer Additional Support Credit to that Domestic Customer in a timely manner in addition to the support offered in paragraph 27A.2.

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.

27A.7 Should the licensee, acting reasonably and having fully considered and complied with its obligation in paragraph 27A.5 and 27A.6 (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.

### **Provision of Information**

27A.8 The licensee must ensure that each Domestic Customer who uses a Prepayment Meter is given adequate information in a Form and frequency that is sufficient to allow that Domestic Customer to quickly and easily understand the licensee's Emergency Credit, Friendly-hours Credit and Additional Support Credit facilities (as appropriate) including what this is, when this can be used and how this is repaid by the Domestic Customer.

### **Definitions for condition**

27A.9 In this condition:

**“Additional Support Credit”** means a fixed amount of credit provided to a Domestic Customer in a Vulnerable Situation when that Domestic Customer’s Prepayment Meter credit runs low or runs out to ensure continuity of gas supply or return on supply.

**“Emergency Credit”** means a 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 supply or return on supply.

**“Friendly-hours Credit”** means an amount of credit provided overnight, 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 supply or return on supply.

**“Self-disconnection”** means when a Domestic Customer uses a Prepayment Meter and experiences an interruption to their gas supply because the credit on the meter has been exhausted. Terms derived from this, such as ‘Self-Disconnected’ and ‘Self-Disconnecting’ shall be construed accordingly.

**“Self-rationing”** means when a Domestic Customer deliberately limits its gas use to save money for other goods or services. Terms derived from this, such as ‘Self-Ration’ and ‘Self-Rationed’ shall be construed accordingly.

## Condition 28. Prepayment Meters

### Information about Prepayment Meters

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:

- (a) the advantages and disadvantages of a Prepayment Meter;
- (aa) information relating to the operation of the Prepayment Meter, including information about the process for, and methods by which, the Domestic Customer can pay in advance through the Prepayment Meter;
- (b) where he may obtain information or assistance if:
  - (i) the Prepayment Meter is not operating effectively; or
  - (ii) any device used to allow the Charges to be paid through the Prepayment Meter is not operating effectively;
- (bb) 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
- (c) the procedures that the licensee will follow when removing or resetting the Prepayment Meter, including the timescale and any conditions for removing or resetting it.

## **Schedule 2: Relevant Licence Holders**

Gas licence holders are listed at: <https://www.ofgem.gov.uk/publications-and-updates/list-all-gas-licensees-including-suppliers>