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By email to: CDconsultations@ofgem.gov.uk

Dear Dennis

Consultation on extending protections for domestic customers who may have prepayment meters installed under warrant (Electricity and Gas Supply Standard Licence Condition 28B)

I am writing in response to the above Ofgem Consultation, dated 25 November, on extending the protections where prepayment meters are installed under warrant.

This response is a redacted version of our letter dated 8 December and may be published on your website.

We recognise that protecting domestic customers who may have a prepayment meter installed under warrant, particularly where there may be customers in vulnerable situations, is an important area for Ofgem.

For the main part we are supportive of extending the protections until 30 June 2025, for:

- Prohibitions on the use of, or ability to charge any costs for warrants in relation to consumers in certain vulnerable situations; and
- A proportionality principle covering:
 - I. The actions of suppliers when exercising a warrant to install a PPM; and
 - II. The costs and actions of suppliers for all customers in the debt recovery process

However, we do not agree with extending the universal cap of £150 on the amount suppliers can charge for all costs in relation to installing a PPM under warrant, where the Specified Amount, (currently £150) remains.

The reasons for this are below:

- We set out in our letter dated 29 August 2017 that, 'by setting the level of the cap at £150, Ofgem has firstly set the cap below its own indicative cost of £210 (as identified in Ofgem's Impact Assessment), and secondly has appeared to have ignored the true actual costs to suppliers which in our case is significantly above £210. Under Ofgem's proposals, these efficiently incurred costs will now fall to be recouped from or be passed through to other energy consumers.' This is still relevant and of concern today.
- The Consultation document acknowledges in paragraph 2.16 that the number of PPM installations under warrant has steadily decreased to just over 67,000 in 2019. We have seen a decrease in the number of PPM installations under warrant we have undertaken since the new licence conditions were introduced in January 2018, but there has been a cost associated to this. We, as no doubt other suppliers too, are operating at a cost well above the cap of £150 and have been since this was introduced in January 2018. On average in 2018 our warrant costs were £~~180~~²⁰⁰, considerably higher than the £150 warrant cap.

- By continuing to have the amount of the cap well below the minimum actual incurred cost to the supplier, the (knowingly) won't pay / non-paying consumer will continue to be the only beneficiary from this. We outlined in our letter of 29 August 2017, that it was a highly questionable policy position to allow this type of cross-subsidy and there is little indication that Ofgem has given due consideration to this issue when considering extending the current licence protections.
- The original sunset clause (SLC 27B.7) put a limit on the duration of the protections, mainly linked to the completion of the Smart meter rollout, because the physical installation of a PPM under warrant is not required when consumers have smart meters (which can be switched from credit to prepayment mode remotely). As the extension is primarily to reflect the new smart meter framework set by the government, then the warrant cap amount of £150, should only apply to customers accepting a smart meter and that if they insist on a non-smart prepayment meter then suppliers should be able to charge cost-reflectively.
- In the Consultation document, paragraph 2.25 states, 'Furthermore, we have not factored in the number of smart meters rolled out and the likely concomitant decrease in the use of warrants to install a PPM in the quantitative analysis of impacts. Therefore, the estimated amount we have calculated is likely to overstate the actual impact, particularly in the latter years of the smart meter rollout.' With the acknowledgement that warrant installs will likely to continue to decrease, it is questionable whether it is right to continue with a warrant cap, which by Ofgem's own admission, has achieved the policy intention.

To continue with the warrant cap at the same level will continue to put further costs onto suppliers and also to customers through cross-subsidy costs. This is unreasonable, especially as there has been no consideration or explanation as to why the warrant cap has not been reviewed.

On a recent call with Ofgem, we noted that it was mentioned that Ofgem only had the power to change the date of these protections and nothing else. We don't believe this to be the case as the warrant cap amount is written into SLC 27B.3 and 27B.3A, which instructs that the charges must not exceed the Specified Amount¹. The definition of specified amount within the Supply Licence, means £150 or such higher amount as may be designated by the Authority from time to time by publishing a statement in writing, so the Authority does have the power to review and change the level of the cap at any time.

We would therefore urge Ofgem to review (i) the level of the warrant cap and / or indeed (ii) whether this warrant cap is still needed at all if it has successfully led to a clear decrease in PPM installs under warrant.

Please do not hesitate to contact me if you would like to discuss any aspect of our response further.

Your sincerely



Nigel Howard
Head of Consumer Regulation
Centrica Legal & Regulatory

¹ "Specified Amount" means £150 or such higher amount as may be designated by the Authority from time to time by publishing a statement in Writing