

Decision

Extending protections on prepayment meters installed under warrant: decision

Publication date: 17 December 2020

Contact: Dennis Berg, Senior Manager
Patrick Gould, Analyst

Team: Retail Policy Team, Retail Directorate

Tel: 020 7901 7000

Email: CDConsultations@ofgem.gov.uk

This document contains our decision to extend the protections for consumers who may have a prepayment meter (PPM) installed under warrant. We have come to this conclusion after consulting with stakeholders on our proposal and carefully considering stakeholder views and other relevant factors before coming to a decision.

For the avoidance of doubt, this document is the statement in writing, as referred to in Standard Licence Condition (SLC) 28B.7 of the electricity and gas supply licences. It therefore extends the duration of paragraphs 28B.1 to 28B.4 of the electricity and gas supply licences.

© Crown copyright 2020

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the [Open Government Licence](#).

Without prejudice to the generality of the terms of the Open Government Licence the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

Any enquiries related to the text of this publication should be sent to Ofgem at: 10 South Colonnade, Canary Wharf, London, E14 4PU. Alternatively, please call Ofgem on 0207 901 7000.

This publication is available at www.ofgem.gov.uk. Any enquiries regarding the use and re-use of this information resource should be sent to: psi@nationalarchives.gsi.gov.uk

Contents

1. Introduction	3
This decision	3
Next steps	3
2. Consultation responses and decision	4
Consultation proposal	4
Our decision	5
Extending protections for PPMs installed under warrant	5
Considering stakeholder’s views	5

1. Introduction

This decision

- 1.1. This document outlines our decision to extend existing protections for consumers who may have a prepayment meter (PPM) installed under warrant. We have decided to extend all of the protections until 30 June 2025.
- 1.2. We received nine responses to our November 2020 consultation.¹ We have carefully considered and taken into account stakeholders' views. In this document we explain the reasons for taking our decision and respond to the views of stakeholders.

Next steps

- 1.3. The extension of these protections **comes into force today and so Standard Licence Conditions (SLCs) 28B.1 to 28B.4 of the electricity and gas supply licences will continue to have effect until 30 June 2025 unless the Authority specifies a later date under SLC 28B.7.**
- 1.4. A number of stakeholders raised concerns on how the existing protections are operationalised by some suppliers. We would welcome a dialogue with any stakeholder who has information on potential poor supplier behaviour. We will continue to monitor the outcomes for PPM consumers and the number of warrant installations through our monitoring of Social Obligations Reporting data.
- 1.5. **We will also commence an interim review of the extension in the next couple of years, which will include reviewing the level of the cap.**

¹ Ofgem (2020) [Consultation on extending protections for domestic customers who may have prepayment meters installed under warrant \(Electricity and Gas Supply Standard Licence Condition 28B\)](#)

2. Consultation responses and decision

Section summary

In this section, we summarise our November 2020 consultation and outline our decision. Following this, we summarise responses from stakeholders and discuss our responses to the points raised.

Consultation proposal

2.1. Protecting consumers, particularly those in vulnerable situations, is a key priority for Ofgem.² As set out in our Vulnerability Strategy 2025, a key area for putting this priority into practice is the need to support consumers who are struggling with their bills.³

2.2. In our consultation document, we explained how a number of measures to protect customers who are having a PPM installed under warrant are due to expire at the end of 2020. These include:

- a) A universal cap of £150 (the cap) on the amount suppliers can charge for all costs in relation to installing a PPM under warrant;
- b) Prohibitions on the use of, or ability to charge any costs for warrants in relation to consumers in certain vulnerable situations; and
- c) A proportionality principle covering the actions of suppliers when exercising a warrant to install a PPM.

2.3. We proposed to extend these protections to align them with the new framework for the smart meter rollout, which will be in place until June 2025. The original protections were linked to the original smart meter rollout date, as the use of warrants will become unnecessary when consumers have smart meters. Smart meters allow for remote switching without the supplier needing access to the consumer's home. In our consultation, we

² The terms "our", "we", "Ofgem" and "Authority" are used interchangeably in this document.

³ Ofgem (2019) [Consumer Vulnerability Strategy 2025](#)

assessed the state of the smart meter rollout, the use of warrants over the last few years and the debt and affordability landscape.

Our decision

2.4. For the reasons explained below, we have decided to proceed with the extension of the protections for consumers who may have a PPM installed under warrant. This means that **Standard Licence Conditions (SLCs) 28B.1 to 28B.4 of the electricity and gas supply licences will continue to have effect until 30 June 2025 unless the Authority specifies a later date under SLC 28B.7.**

Extending protections for PPMs installed under warrant

Considering stakeholders' views

2.5. In response to our consultation, seven respondents fully agreed with our proposal. These included five consumer groups, one legal charity and one supplier. Two respondents partially agreed with our proposals. Specifically, two suppliers supported maintaining the prohibitions and proportionality principle, but opposed extending the cap. Following our analysis of responses, we have summarised the main points of discussion below.

Maintaining and extending protections for PPM customers

2.6. Three respondents noted our ongoing commitment to improving the experiences of PPM customers. One consumer group remarked on these protections being important for customers and a helpful reference point when engaging with suppliers.

2.7. Two consumer groups raised concerns on supplier practices in this area. *Firstly*, that suppliers are not making sufficient efforts to engage with customers, particularly vulnerable consumers who need specialised support such as the blind and partially sighted. *Secondly*, that the protections are not being applied consistently by suppliers and encouraged us to issue stronger guidance to remind suppliers of their obligations. More broadly, two consumer groups supported our consideration of the impacts of COVID-19 and rising debt and affordability challenges, with one consumer group emphasising the impact on

disadvantaged groups including those on low incomes, BAME people, carers and disabled people.⁴

2.8. Whilst we do not intend to publish additional guidance on these protections, we strongly urge stakeholders to use the available channels to notify us with any concerns they have, so we can consider potential follow up action.

2.9. **We are pleased a majority of stakeholders agreed with our assessment that extending these protections is important for PPM customers.** We have always been clear that these protections aim to avoid the installations of PPMs under warrant wherever possible, and for them only to be used as a last resort. We also consider this extension a part of our package of measures and continuing work to achieve the outcomes set out in our Consumer Vulnerability Strategy 2025.⁵ With new protections for customers who self-disconnect and self-ration and wider protections on ability to pay coming into force on 15 December 2020, we want suppliers to continuously improve the experiences of PPM customers by reducing bills and supporting customers in debt (eg helping them with sustainable debt repayment plans).⁶

Considering the level of cap on charges

2.10. While we did not specifically ask questions in the consultation about the level of the cap, three suppliers urged us to review the level of the cap in the future. Two suppliers opposed extending the cap and they used similar arguments set out when the policy was proposed in 2016/17. One supplier questioned the legality of the cap.

2.11. Furthermore, the same three suppliers argued the cap is too low and is not cost reflective. One supplier stated that because the cap is not cost reflective, costs are 'socialised' across their customer base whereas another supplier indicated they absorb most of the costs above the cap.

⁴ Citizens Advice (2020) [Excess debts](#)

⁵ Ofgem (2019) [Consumer Vulnerability Strategy 2025](#)

⁶ Ofgem (2020) [Self-disconnection and self-rationing: decision](#)

2.12. In addition, one supplier felt that the cap should only remain in place for customers who accept the installation of a smart meter, and that if a customer insists on a non-smart PPM the supplier should be able to charge cost reflectively.

2.13. **We have considered stakeholders views. For the reasons explained below, we believe that the £150 cap should remain in place.** We are concerned that should the cap be removed, we would see a return to inconsistent and excessive charges, which could place customers into vulnerable situations and further financial difficulty. Particularly at a time where many consumers are struggling with affordability due to the effects of the COVID-19 pandemic.

2.14. We consider that £150 remains a substantial amount of money for many customers, sufficient to encourage them to engage. From various sources we know that many consumers have limited savings to absorb high charges, and that many would struggle with unexpected costs.⁷ In our 2016 proposals, we suggested the cap could be £100 or £150. At the time, some consumer groups pushed for the lower amount whilst suppliers often resisted any cap on charges. As discussed in paragraph 3.22 of the statutory consultation, the cap was never meant to be cost reflective, and we maintain our position that £150 is a sufficient compromise and pragmatic position that balances incentives between consumers and suppliers.⁸ On one hand, it incentivises customer engagement with their supplier to arrange a debt repayment plan and on the other incentivises suppliers to exhaust all other options before an application and execution of a warrant which is always a last resort. It also encourages suppliers to maximise efficiency.

2.15. At this point in time, we have not seen sufficient evidence that the level of the cap is no longer adequate. One supplier mentioned inflation over the last few years, but inflation has been low.⁹ On the point that suppliers socialise or absorb these costs, we consider the default tariff cap provides a sufficient allowance for an efficient supplier to recover its costs and at this stage, we are not convinced that the extension of this policy creates new material costs.

⁷ An estimated 11.5 million UK adults have less than £100 in savings, Money Advice Service (2019) [Financial Capability and Debt Advice; See for example research collated by the Money and Pensions Service, Money and Pensions Service \(2020\) Improving financial wellbeing through the debt advice journey, p. 56](#)

⁸ Ofgem (2017) [Prepayment meters installed under warrant – statutory consultation](#)

⁹ ONS, [Inflation and price indices](#)

2.16. **However, we will commence an interim review of the extension in the next couple of years.** As part of this review, we will consider the level of the cap, as it is within our power to amend the “Specified Amount” from time to time.

2.17. On the suggestion that the cap should only apply to consumers who accept a smart meter, this is out of scope of the current consultation as we cannot change to which customers the cap applies without modifying the licence condition. However suppliers are expected to install a smart meter wherever a meter is replaced or where a meter is installed for the first time (eg in new premises). We therefore expect there to be only very limited circumstances where a smart meter will not be installed.

2.18. On the comments regarding the legality of us implementing a cap on warrant charges, we maintain our previous position on this, as set out in paragraphs 3.19 to 3.21 of our 2017 statutory consultation. Ofgem remains firmly of the view that the legislative framework gives Ofgem the power to restrict or constrain the use of licence holder’s powers (including powers to recover costs from particular customers), having regard to our principal objective and general duties. Ofgem considers that it is acting in a way that is consistent with its principal objective and general duties.¹⁰

Current use of warrants

2.19. Four respondents commented on the continued use of warrants to install PPMs. One consumer group agreed with our assessment that although a gradual decline in PPMs installed under warrant since the protections began is positive, it is not sufficient to allow the protections to lapse. In contrast, one supplier argued that because PPMs installed under warrant have been gradually decreasing since the protections began this showed the protections had been successful and were no longer needed.

2.20. **We maintain that the continued use of warrants by suppliers provides further justification to extend these protections.** In 2017, the year before the protections came into force, over 84,000 gas and electricity PPMs were installed under warrant.¹¹ In 2019, there were still over 67,000 gas and electricity PPMs installed under warrant. As discussed in paragraph 2.16 of the November consultation, we welcome this

¹⁰ Ofgem (2017) [Prepayment meters installed under warrant – statutory consultation](#)

¹¹ Ofgem (2019) [Consumer Vulnerability Strategy: reporting on progress](#)

gradual decline in PPMs installed under warrant since the protections came into force, but this is not sufficient to not extend the protections.

The lawfulness of the use of the warrants to install PPM meters

2.21. One respondent expressed concern about the lawfulness of the current system, where energy suppliers use the Rights of Entry (Gas and Electricity Boards) Act 1954 (the 1954 Act), to install PPMs. The stakeholder argued that the 1954 Act was intended to be used for disconnection, not to replace the meter with a PPM. The respondent argued that this appears to be contrary to the Human Rights Act 1998. They argue that attention needs to be given to updating both the legislation and the associated safeguards for consumers.

2.22. It is not within our purview to change the 1954 Act, we will raise this matter with the relevant government department (Department for Business, Energy and Industrial Strategy) for their consideration.

Smart PPM prioritisation and further extension beyond 2025

2.23. Three respondents urged us to consider the acceleration and prioritisation of PPM within the smart meter rollout. They note that those customers who have not yet received a smart meter, or been provided with first generation 'SMETS 1' meter, are continuing to experience considerable consumer detriment such as having to travel to decreasing numbers of top up locations, struggling to access support provided in such as 'friendly or emergency' credit and the risk of extended periods of self-disconnection.

2.24. We recognise there are significant benefits of smart PPMs, particularly for customers in vulnerable situations, such as prevention of self-disconnection through remote credit offerings, ability to switch customers to credit mode and digital top-up options.

2.25. Some suppliers are already making good progress with the rollout of smart PPM to their customers. **We expect suppliers to explore where plans to install a smart PPM can be brought forward**, and note that, where suppliers identify technical issues that could create risks for smart PPM customers, we expect them to move swiftly to identify root causes and implement fixes.

2.26. We note that BEIS is ultimately responsible for the overall smart meter rollout regulatory framework, including establishing the new rollout framework that will commence on 1 July 2021 and run through to mid-2025.

2.27. Under the new rollout obligation, Ofgem will require energy suppliers to publish their annual installation targets and performance.¹² To ensure that suppliers actively plan for how all customers are able to access the benefits of smart meters, we will require large suppliers (those with more than 150,000 customer accounts) to publish their plans and performance segmented for domestic, non-domestic, credit and PPM customers.

2.28. Two respondents agreed that the warrant protections should be extended until at least mid-2025, but also noted concerns with significant challenges of reaching full smart meter rollout for customers of smaller suppliers, and those in remote and rural areas. To ensure that these customers continue to be protected, they ask that we should also consider further protections after this point.

2.29. We acknowledge stakeholder concerns that the smart meter rollout may not be complete by mid-2025 and **we will consider whether or not a further extension of the SLC 28B provisions is required nearer the time.**

Evidencing vulnerability for purposes of the prohibition

2.30. One respondent raised concerns that evidencing a customer's vulnerability can be challenging and that support from third parties is not always duly considered when applying the prohibition principle to warrant related charges.¹³

2.31. As set out in our statutory consultation in 2017, we acknowledge the challenges associated with identifying vulnerabilities. In doing so, we provided examples of situations where this condition would be relevant and set out our expectation that suppliers can do more to engage with vulnerable consumers. **We therefore reiterate that suppliers can and should use a wide range of mechanisms available**, such as liaising with third parties, to identify vulnerability at each stage of the debt recovery process, including during the process of executing a warrant.

¹² Ofgem (2020) [Smart meter roll out reporting requirements](#)

¹³ Suppliers do not levy charges associated with the installation of a PPM under warrant where either the customer's vulnerability has significantly impaired their engagement with the supplier during the debt recovery process or where the charges would exacerbate a customer's existing financial vulnerability by requiring them to pay additional warrant-related charges.

Remote switching smart meters from credit to prepayment mode

2.32. Two consumer groups highlighted concerns with safeguards in place for consumers already using smart technology, and shared multiple examples of poor consumer experiences:

- Customers being remotely switched from credit to PPM without being (made) aware in advance;
- Customers not being provided with the right tools or information prior to being remotely switched, for example on how to top up;
- Customers being remotely switched in circumstances of transient vulnerability (such as hospital stays); and
- Lack of engineer home visits creating missed opportunities to identify vulnerabilities.

2.33. There are protections in place currently, which include a 7 working day notice period and a requirement on suppliers to do an assessment of whether prepayment mode is safe and reasonably practicable for the consumer. We expect suppliers to stringently follow these requirements. As stakeholders have acknowledged in their responses, this issue is not in scope of this consultation. However, we encourage those with evidence of poor practices in this area to engage further with us. This will allow us to assess whether suppliers are following their obligations, and if policy or compliance work is needed in this area.