

National Energy Action (NEA) response to Ofgem Policy consultation Extending protections for domestic customers who may have prepayment meters installed under warrant (Electricity and Gas Supply Standard Licence Condition 28B)



Action for Warm Homes

About National Energy Action (NEA)

NEA¹ works across England, Wales and Northern Ireland to ensure that everyone in the UK² can afford to live in a warm, dry home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

Our response to this consultation

Overall, NEA is pleased that Ofgem is seeking to extend protections for domestic customers who may have prepayment meters installed under warrant (Electricity and Gas Supply Standard Licence Condition 28B). We fully support this approach and believe it will be necessary until at least mid-2025 when the smart meter rollout should finally be largely complete.

In addition, alongside this welcome but narrow protection, NEA continues to support the on-going need for prepayment customers to continue to be protected by the Default Tariff Cap or equivalent forms of support. In the meantime, NEA urges Ofgem, the UK Government and individual energy suppliers to do all they can to accelerate the rollout of SMETS 2 smart meters to prepayment customers.

To date, most smart prepayment meters customers have received first generation meters and continue to experience the consumer detriment that the Competition Market Authority (CMA) first observed³. In response to the NAO's report⁴ in 2018 on smart meters NEA highlighted our concern that the smart meter roll-out was significantly back-loaded. These delays have been further compounded by technical issues establishing the DCC network and most recently the impact on the programme Covid-19. Whilst the technical issues are now largely being resolved, the delay mean most households now have less opportunity to enjoy the benefits of smart (and any resulting financial savings) in the years up to 2025 and beyond.

In our response to the 2019 consultation "Delivering a Smart System: Consultation on a Smart Meter Policy Framework post 2020", we were sympathetic to the reasoning of extending the smart meter deadline. The extension will help to guard against suppliers rushing to install meters in homes without the engagement that is dearly needed to ensure that vulnerable consumers can get the maximum benefit. This is particularly true of PPM customers who have potentially the most to gain from the installation of a smart meter.

Through smart prepay tariffs, customers will have the ability to top-up online, meaning that there is less chance of long periods of self-disconnection occurring (perhaps due to a medical condition, or where mobility issues mean that the customer finds it difficult to get to a place where they can top up), or even to access the meter in their own home. These clear benefits have been demonstrated through the pandemic where positive outcomes for smart PPM customers have been in strong contrast to those who still need to rely on legacy PPMs who have continued to have to travel to a decreasing number of locations to buy top-up cards because they don't have a pre-pay smart meter. In addition, customers without smart prepay have also struggled to access support provided by varying levels of 'friendly credit' or "emergency credit" which enables prepay customers to continue to access energy when they run out of credit. This variance can have a big impact on customers at the best of times but in a crisis, access to emergency credit can be the difference between someone with existing respiratory illness (let alone Covid 19) keeping their home warm before a relative can go to the shops and top up on their behalf, sitting in the dark until the morning or being unable to charge up a mobile phone to call a relative in need.

Smart PPM can also help identify customers most at risk of self-disconnection. More than 100,000 prepayment customers self-disconnect each year due to affordability issues, leading to dangerously cold homes. Suppliers are better able to monitor prepayment meter usage through smart meter data and then support those customers. Additionally, in their investigation into the energy market, the CMA identified a significant detriment in the market for prepayment customers, which they believed could be resolved through the smart meter rollout, presenting the prepayment price cap as an interim measure. In order to avoid the detriment arising again, it is key that the rollout for prepayment customers is prioritised, and that the prepayment price cap is extended to such a date when this has been achieved.

NEA has therefore, stressed that to realise the huge benefits for PPM customers of smart PPM will require a discrete and deliberate focus, which is currently not evident. NEA is therefore disappointed that the Government and Ofgem have not ensured that any new annual targets for smart meter installation by suppliers must include a sub-target to replace legacy PPM meters. We continue to stress this is approach is needed for replacing legacy PPMs (for example, no less than 15% of total installs have to be smart PPM) reflecting the national average of this payment type or a % based on the suppliers own customer base (from a baseline of 2019/20 or when the targets are in place).

In addition, whilst Ofgem have an excellent understanding of the rollout plans for the larger energy companies, currently believe smaller suppliers are often not required to provide this information. In addition, energy customers (who are paying for the rollout) don't have sufficient detail of their own energy suppliers plans and neither do other parties who could support the rollout and offer bespoke advice. As a result, NEA is pushing for the Government and Ofgem to ensure that these plans for a Government mandated infrastructure scheme, funded through bills, are published on annual basis in the public domain for scrutiny. This means that consumers will know when they should be able to get a smart meter from their supplier depending on their meter types and more generally how vulnerable customers are able to access the benefits of smart, irrespective of the additional barriers they may face.

Response to the consultation questions

Question 1: Do you agree with our proposal to extend these protections until 30 June 2025?

Yes. As noted above, NEA is pleased that Ofgem is seeking to extend protections for domestic customers who may have prepayment meters installed under warrant (Electricity and Gas Supply Standard Licence Condition 28B). We fully support this and it will be necessary until at least mid-2025 when the smart meter rollout should finally be largely completed. In addition, further steps are needed by Ofgem, the UK Government and individual energy suppliers to do all they can to accelerate the rollout of SMETS 2 smart meters to prepayment customers and respond with effective strategies for the additional barriers they may face.

¹ For more information visit: www.nea.org.uk.

² NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

³ In a letter to the BEIS committee dated 25th October 2019, Lord Duncan, Parliamentary Under Secretary of State and Minister for Climate Change said "As at the end of September there were over 7000 SMETS2 meters operating in prepayment mode. Other large suppliers are completing trials and will be ready for deployment at scale in the next six months" See the full letter here <https://www.parliament.uk/documents/commons-committees/business-energy-and-industrial-strategy/Correspondence/2019-20/Letter-from-Lord-Duncan-on-smart-meters.pdf>

⁴ For the full report please see <https://www.nao.org.uk/report/rolling-out-smart-meters/>