



Stew Horne  
Senior Manager, Consumers and Competition  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Email to: [prepayment@ofgem.gov.uk](mailto:prepayment@ofgem.gov.uk)

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### **Proposals to improve outcomes for prepayment customers**

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

Thank you for the opportunity to provide comments on your proposals to address the barriers Ofgem identified as part of the prepayment (PPM) review of June 2015.

We recognise that this is also an area that has been considered by the CMA, and therefore we are satisfied to see that Ofgem do not intend to replicate any of the remedies outlined in the CMA prepayment addendum.

We think it's important that customers have a consistent experience from their suppliers and therefore, we support Ofgem's aims of ensuring a 'level playing field'. We feel narrowing the large variance between suppliers charging policies will facilitate a fairer experience for consumers, but also reduce the commercial risk to suppliers from customers 'supplier-hopping' in order to take advantage of free meter installations before immediately moving to another supplier who does still charge for these.

We have been pleased with the approach Ofgem has taken during this consultation, and in particular the engagement to discuss the proposals in advance of issuing the consultation. We find this extremely useful and we hope that Ofgem do too.

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Denise Willis on 07875 119946, or myself.

I confirm that this letter and its attachment may be published on the Ofgem website.

Yours sincerely,

A handwritten signature in blue ink that reads 'Paul Delamare'.

**Paul Delamare**  
**Head of Customers Policy and Regulation**

**EDF Energy**  
40 Grosvenor Place, Victoria  
London SW1X 7EN  
Tel +44 (0) 20 7752 2187

[edfenergy.com](http://edfenergy.com)

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Registered in England and Wales.  
Registered No. 2366852.  
Registered office: 40 Grosvenor Place,  
Victoria, London SW1X 7EN*

## **Attachment**

### **Proposals to improve outcomes for prepayment customers**

#### **EDF Energy's response**

#### **Chapter 2: Installations carried out under warrant**

##### **Q1. Do you agree with the scope of warrant charges?**

We agree that charges relating to debt recovery carried out under the warrant process should be included within the scope of this review. This is the most effective way to ensure consistency of approach between suppliers.

However, it is not clear within the consultation document specifically what these charges encompass. We had interpreted this to cover charges relating to the pre-disconnection visit, costs associated with procuring a warrant, charges relating to the actual warrant visit (including disconnection, and any necessary additional measures such as locksmiths and dog handlers etc.), and also any charges relating to the reconnection of the supply.

We understand that some suppliers may consider charges relating to late payment of bills and invoices for example, fall inside the scope of these charges.

If suppliers do not have a common understanding of what these charges include, then there is a risk of any cap, or alternative solution, being inconsistently applied by suppliers, which is not an outcome we would support.

We therefore believe that Ofgem should issue further clarity on what they consider to be within the scope of these charges.

##### **Q2. Do you agree with the desired consumer outcomes?**

The outcomes that Ofgem have identified of fairness, transparency, and impact on the most vulnerable appear to be correct. We support these outcomes.

We would like further clarity as to what Ofgem defines as vulnerability in these circumstances, however, as someone who may be elderly but wealthy may not necessarily be in a vulnerable position regarding choosing not to pay a bill and therefore incurring warrant charges. We think it's important that vulnerability is assessed on a case by case basis for these reasons.

##### **Q3. Which option set (A, B or C) do you think will be most effective at meeting our consumer outcomes?**

Option one (end warrant charges for all customers), as proposed by Ofgem, is not a proportionate approach and could harm wider consumer interests. Suppliers need to have a mechanism for passing these charges to the customers who incur them, rather than absorbing these costs and ultimately spreading them across all of our

customers bills. Our understanding is that Ofgem recognise that removing these charges would not be fair to all customers, including vulnerable customers, who may end up paying higher bills as a result.

Regarding the option sets proposed by Ofgem, we would like to suggest a further option which has not been included within your proposals. We believe that the most effective and fair method (both for consumers and commercially for suppliers) of implementing a cap to warrant charges would be to introduce a cost reflectivity cap.

We believe this is fairer because the costs of obtaining and carrying out warrants may be different in different parts of the country. For example, the cost of carrying out a warrant in a remote rural area may be significantly higher than the same warrant process in a city or suppliers ex-host PES area due to infrastructure and economies of scale.

We do not believe it is fair to socialise the difference in these costs across our whole customer base, or even across all of those customers who enter the warrant process. It seems more appropriate to individually pass on the direct costs suppliers incur to those customers that actually cause those charges. These charges can, of course, be completely avoided by customers if they engage with us and respond to our numerous calls to action.

If a cost reflectivity cap was introduced, we would of course, continue to apply our policy of waiving charges as appropriate, for vulnerable customers on a case by case basis.

The above is our preferred option. Of the Options that Ofgem has suggested then Option C has the most merit. This provides the most flexibility by introducing a two tier cap for vulnerable and non-vulnerable customers, but we would request further clarity on what Ofgem considers vulnerability in this area (i.e. age or physical characteristics of a customer may not make them automatically vulnerable in such situations).

The overarching suggestion of setting out some clear expectations for supplier behaviour is sensible in creating 'a level playing field'. We believe that the Energy UK Safety Net would provide an ideal starting point for developing a code of practice to encompass this area. However, we would only support this option if all suppliers were mandated to be members of this code (or this part of the code) to ensure that all suppliers are governed by the same rules. It would not be fair to those suppliers that have committed to do the right thing and introduce voluntary standards, to have the associated higher costs and administrative burden, as compared to those who do not choose to be members and therefore face less rigorous controls.

If the Safety Net (or part of) was not able to be a mandatory code of practice, then we would welcome Ofgem introducing guidance, or a suggested set of working practices that all suppliers must adhere to.

It is interesting that in section 3 (3.5 Interaction with smart rollout) Ofgem note that the rollout of smart meters will mean that customers should not face charges to have a PPM installed or removed. We believe that Ofgem should consider how this view interacts with their guidance on 'Safe and Reasonably Practicable'. In particular, we believe that Ofgem should clarify whether they expect suppliers to attend the site prior to remotely switching

a smart meter to a prepayment function if there has been no customer contact, and whether there are exceptions. These charges therefore, may still need to be passed on to the customer, regardless of whether a warrant is required or not.

**Q4. Should cases of energy theft or wilful damage to the meter be exempt from our proposals?**

Yes, we believe that these scenarios should be exempt from Ofgem's proposals. Cases where the customer has stolen energy, or deliberately damaged the metering equipment, including communications equipment for smart metering, should be chargeable to the customer.

The customer has actively chosen to take this action, resulting in the supplier incurring additional costs to resolve and make the site safe. These costs should be recovered directly from the customer. This is no different to any other industry or sector where the costs of unlawful behaviour can be recouped from the perpetrator.

**Q5. Please explain how you identify vulnerable consumers and provide details of how any such policy or procedure is monitored and reviewed?**

**Debt Safety Net / Vulnerable Customers / Ability to Pay**

All EDF Energy debt activities are in line with Energy UK's definition of a vulnerable customer, i.e. a customer is vulnerable if for reasons of age, health, disability or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household (this includes children living at the property).

On every interaction with the customer, we make considerable efforts to encourage all customers to discuss their circumstances with us, so that appropriate solutions can be agreed.

All customer service staff are trained to enable them to elicit relevant information from customers, and to assist with the recognition of a customer who may be having difficulty in paying their bill. In addition, anyone interacting with customers on behalf of EDF Energy also receives training to understand the provisions of the Energy UK Safety Net, including the ability to capture information about customers, their circumstances and ability to pay. This information will be recorded on our systems and used to assist decision points with the customer.

Where we have contact with the customer, we attempt to understand whether the customer or anyone at the supply address is vulnerable. All customers are dealt with on a case by case basis, depending on the customer's circumstance.

In instances where we are aware of vulnerability the Safety Net will apply, this states that we will not knowingly disconnect a vulnerable customer. It should be noted that even though a customer may not fall within the Safety Net definition, issues of potential vulnerability will be managed on a case by case basis.

All staff dealing with customers, or speaking to customers on behalf of EDF Energy will use the agreed vulnerability checklist (Energy UK definition) to determine a customer's circumstance before installing a prepayment meter for debt related reasons. Where the meter is installed, the repayment rate is set in accordance with the customer's ability to pay.

Business rules, process and working practice are reviewed on an ongoing basis at least annually. They are also reviewed against any regulatory changes as a separate exercise through our pipeline change process.

### **Signposting to advice and support**

Signposting of the support and advice available is prevalent in all communications issued to customers and will be referred to by customer service advisors where appropriate.

Examples of this support and advice:

- The EDF Energy Personalised Support Service brings together the five services for helping customers most in need. We've set up dedicated teams to offer advice in the following areas:
  - Help finding the cheapest tariff and way to pay
  - Help reducing energy use
  - Help with debt
  - Help with specific needs
  - Help beyond energy

<http://www.edfenergy.com/for-home/help-support/personalised-support-services>

- Help with debt and working out ways to pay without overstressing a customer's budget.

<http://www.edfenergy.com/for-home/help-support/energy-bill-debt-advice>

- The EDF Energy Trust, established in 2003, is an independent Charitable Trust, charity number 1099446. It was the first utility trust of its kind and contributes to the relief of poverty with a particular focus on fuel poverty and helping families and individuals who are struggling to pay for their domestic supply of gas and electricity.

The Trust provides a significant difference to the lives of those in need by awarding grants to clear energy debts. In exceptional circumstances help is also available for energy efficient white goods and other priority debts. The Trust also funds charitable organisations to provide money and fuel debt services.

<http://www.edfenergytrust.org.uk/>

- The EDF Energy Debt Helpline

We have set up a dedicated service for EDF Energy customers with the Plymouth Citizens Advice Bureau. This allows customers to seek independent advice on how to manage their energy bills and any other debt advice they may need.

### **Chapter 3: Installations carried out not under warrant**

#### **Q6. Do you have any views on our approach or better alternatives to achieve the outcomes we have identified?**

We understand that the outcome Ofgem identified relates to the ceasing of charges for prepayment installations and removals carried out not under warrant.

As you will be aware, EDF Energy does not currently charge for the removal or installation of a prepayment meter, either at warrant, or non-warrant stages.

We agree that customers should have an equivalent experience across all suppliers and therefore, we either support the removal of these charges by all suppliers, or that all suppliers should be able to pass on cost reflective charges to customers for these services.

It is not acceptable to us that some suppliers should be permitted to continue to charge for these services while others, such as ourselves, do not. This also has the propensity to drive commercially unfair supplier and consumer behaviour, where we find customers changing supplier to us in order to obtain their free meter exchange, before immediately transferring to another supplier who does charge for this once we have exchanged their meter.

If instances of this increase, suppliers may choose to introduce greater controls, (such as security deposits), or refuse to exchange meters unless the customer has been with them for a certain period of time in order to reduce unfair costs. This is not a good experience for consumers and potentially restricts their payment options.

**EDF Energy**  
**February 2016**