

Response from Feeding Britain to Ofgem's proposals to improve outcomes for prepayment customers

Background

Feeding Britain was established as a charitable organisation by a cross-party group of MPs and Peers in October 2015, to implement the main recommendations from their report on hunger in the United Kingdom. The report, *Feeding Britain: A strategy for zero hunger in England, Scotland, Wales and Northern Ireland*, was published in December 2014 at the conclusion of an eight month inquiry, co-chaired by The Rt Hon Frank Field MP and The Rt Revd Tim Thornton, the Bishop of Truro. The group published a follow-up report, *A route map to ending hunger as we know it in the United Kingdom*, in December 2015.

The evidence upon which both reports were based suggested that most of our fellow citizens who are unable to afford food, or the fuel required to cook food, use prepayment meters. The reports found that these households:

- Pay more for each unit of energy than more fortunate households who pay by Direct Debit;
- Face difficulties when trying to wean themselves off a prepayment meter, due to the application of exit charges;
- Have little or no gas and electricity available once their debt repayment charges have been subtracted from a cash top-up;
- Do not have the freedom or ability to switch to better tariffs elsewhere; and
- Often must decide between topping up their prepayment meter and buying food.

Feeding Britain therefore very much welcomes Ofgem's determination to address the range of difficulties it has identified among those households on prepayment meters who are struggling to pay for their gas and electricity.

Do you agree with the scope of warrant charges?

Feeding Britain shares Ofgem's concerns around the level of charges applied when a prepayment meter is installed under warrant. Sudden, unexpected costs such as these can necessitate the need among poorer households for emergency food parcels.

One alternative strategy that Ofgem might wish to pursue with energy suppliers is to combine the abolition of upfront charges with the requirement to offer gradual, longer term plans for the repayment of household energy debt that more accurately reflect each household's ability to pay.

Do you agree with the desired outcomes?

Feeding Britain endorses Ofgem's objective of protecting vulnerable households from being unfairly penalised. Feeding Britain believes all households should be treated on a level playing field, and that mainly poorer households on prepayment meters should not be asked to pay disproportionately high costs for their gas and electricity.

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

Feeding Britain believes Set B (end warrant charges for consumers in vulnerable situations; cap charges for all customers; and set out clear expectations of supplier behaviour) will be most effective at protecting vulnerable households from being unfairly penalised.

A welcome next step would be to define those ‘vulnerable households’ who could benefit from such protection. Feeding Britain believes the criteria used to establish free school meal eligibility should apply here, with the addition of households in work earning less than £16,190 per year.

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

Feeding Britain agrees in principle that cases of energy theft or wilful damage to the meter should be exempt from Set B. However, suppliers should be required to prove beyond doubt that such an instance has occurred, and households should be given the chance to appeal these claims, before they are able to impose a charge.

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

Ofgem’s approach to learning and then acting upon evidence of injustices involving prepayment meters is both unprecedented and hugely welcome.

The All-Party Parliamentary Group on Hunger has proposed a New Deal on Prepayment Meters, which seeks to build upon Ofgem’s early moves as well as those outstanding initiatives that have been taken by some individual suppliers. The New Deal would require energy suppliers by 2020, to:

1. Proceed as soon as possible with ‘Smart Pay As You Go Meters’ for their poorest customers, on the understanding that they eliminate the premium charged over and above the costs incurred by other customers;
2. Publish the additional costs incurred on supplying and maintaining each prepayment meter, to enable a comparison with the premiums charged to households who rely on a prepayment meter;
3. Abolish fees for the installation and termination of a prepayment meter;
4. Provide two-week credit tokens to households relying on emergency food parcels and who cannot afford to top up their prepayment meter; and
5. Offer rebates to prepayment customers caught out by the standing charge on their meter over the Summer months.

Taking each point in turn:

1. Feeding Britain notes that the Department of Energy and Climate Change is encouraging each supplier to prioritise households on prepayment meters during the rollout of ‘Smart Pay As You Go Meters’. A welcome next step would be a firm guarantee from energy supplies that these households will not be charged more for their gas and electricity once they are transferred to a ‘Smart Pay As You Go Meter’.
2. Feeding Britain is concerned that the additional costs incurred on supplying and maintaining each prepayment meter may not fully justify price differentials. It recently identified a large

difference between the best available tariffs on offer to prepayment and Direct Debit customers. On 7 January 2016, the differentials stood at:¹

- £42 with British Gas
- £184 with EDF Energy
- £189 with ScottishPower
- £165 with npower
- £95 with E.ON
- £105 with SSE

Based on this evidence, it would seem that only British Gas was offering a differential that most accurately reflected the additional costs associated with supplying and maintaining a prepayment meter. Feeding Britain therefore recommends that Ofgem investigate this matter further, and require each supplier to set out in detail why such large differentials exist.

3. Feeding Britain applauds Ofgem for largely succeeding in its attempts to help suppliers phase out fees for the termination and replacement of a prepayment meter. 96% of prepayment customers are now protected from these charges. As a next and, hopefully, final step on this front, Feeding Britain encourages Ofgem to set suppliers a deadline for protecting 100% of this customer group, and to combine this effort with the proposals set out in Set B.
4. Feeding Britain secured one of the nation's first npower Fuel Banks at Wirral Food Bank, which is being operated by the Trussell Trust. Its impact has been immediate and overwhelmingly positive. The requirement for all energy suppliers to offer similar help could make a huge contribution towards relieving and preventing hunger in this country.
5. Feeding Britain very much welcomes the derogation Ofgem granted British Gas to waive the Standing Charges that had accumulated on vulnerable households' prepayment meters during the summer months. We request that, as a next move, Ofgem should invite each of the other 'Big Six' suppliers to apply for a similar derogation and act as British Gas has done.

¹ Based on a search conducted on www.moneysupermarket.com for the best available deals on prepayment meters and Direct Debit arrangements for two adults living in a two bedroom terraced house.