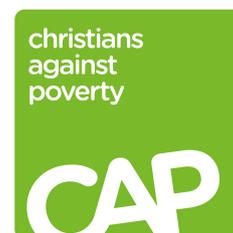


FAO Steve Osmani-Edwards
Consumer Vulnerability Strategy
Ofgem

prepayment@ofgem.gov.uk



Christians Against Poverty
Jubilee Mill
North Street
Bradford
BD1 4EW

Tel: 01274 761985
externalaffairs@capuk.org

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Prepayment meters installed under warrant: final proposals

Christians Against Poverty (CAP) welcomes the strong stance Ofgem is taking through these final proposals to ensure consumers are protected in the process of installing prepayment meters (PPMs) under warrant. As part of this consultation I am writing to provide CAP's feedback on the final proposals.

CAP's home visiting model means we come face-to-face with the hardship experienced by clients, of which two fifths have a PPM. When we responded to the initial consultation in December 2015, we stated that we considered this issue to be of high priority. Almost a year on, this remains true but we are encouraged by the progress made over the last eleven months.

Also in December 2015, CAP published findings from client research showing widespread self-disconnection taking place amongst PPM users. 54% reported that they did not use their heating for at least one week a month over winter because they could not afford to top up their PPM. For 36% of this group, this meant that they only used their heating for less than a week a month, whilst 8%, in fact, did not use their heating at all. This research also showed that PPM users were more likely to display signs of vulnerability, with a higher proportion facing the impossible choices that are often associated with debt. For instance, 65% of all of CAP's clients with learning disabilities have a PPM, and PPM users were twice as likely to have fallen behind with their council tax. The full report can be viewed at capuk.org/poorpaymore.

In light of these findings, we believe it is imperative that more is done to protect and improve outcomes for PPM customers. We view this consultation as an important step and are glad that it acknowledges that consumers who have a PPM installed under warrant are doubly penalised, incurring costs and facing higher energy tariffs, which can exacerbate financial difficulty. We welcome the consideration given to the unintended consequence of installing PPMs under warrant, including self-disconnection.

The final proposals

CAP supports the three licence modifications proposed as part of this consultation, and the

two tiered protection that these will provide by capping warrant charges for all consumers and then prohibiting charges all together for those in the most vulnerable situations. Furthermore, we perceive the new debt principle of proportionality, covering costs and actions of supplier, to also add value in helping suppliers formulate their thinking around appropriate support for those struggling with debt.

The licence condition that prohibits suppliers from installing a PPM under warrant ‘where the process would be particularly traumatic due to the consumer’s vulnerability’ and also ‘charges associated with installation under warrant where either the consumer’s vulnerability has impaired their engagement with the supplier or the charges would exacerbate their financial vulnerability’, is particularly welcome. As we stated in the initial consultation phase, to meet the desired consumer outcomes it is vital that those in vulnerable situations do not face additional charges because of their vulnerability.

Scope of vulnerability

It is especially welcome that financial vulnerability is explicitly included as, while Ofgem’s Consumer Vulnerability Strategy sets out a broad and comprehensive definition of when customers could be deemed to display vulnerability, in CAP’s experience energy suppliers’ definitions vary. This additional direction will be helpful to ensure that all suppliers encompass a broader definition of vulnerable situations. Ultimately, this will lead to them recognising the severe implications that financial difficulty has on a consumer’s emotional and physical wellbeing. Our client research clearly shows this in the fact that 59% of CAP clients had visited their GP due to debt before our help, with 37% being prescribed medication for debt related illness, and 36% also having thought about, or attempting, suicide due to debt.

As the consultation document recognises, how to robustly identify all customers in vulnerable situations is a big challenge. In some cases, risk factors may not be particularly obvious and very few customers in vulnerable situations openly disclose this, with some not even perceiving themselves to be vulnerable. This means that some customers in vulnerable situations are likely to fall through the gaps and not receive the proposed protections. The inclusion of financial vulnerability also means that consumers intended to receive these protections may not be eligible for the PSR, and therefore this cannot be used as an exclusive route to the prohibition of warrant charges. Suppliers will need to be proactive in identifying signs of vulnerability and applying the protections, as well as drawing on the experience and insight of consumer organisations.

Sunset clause and smart meters

Finally, while we appreciate the rationale for a sunset clause and the opportunities for consumer benefit that smart meters will bring in the longer-term, we agree that the ability to extend these protections, if required, is important. We feel more clarity is needed around the process of forcibly switching consumers to prepay on smart meters and how safeguards will be built into this process to ensure vulnerability is picked up. This, again, we would like to see only used as a last resort.

Additionally, we want to take this opportunity to encourage Ofgem to promote further coordinated action across the industry to lay the groundwork to ensure smart meters bring the potential consumer benefits that they represent. This consultation does touch on self-



disconnection and monitoring through smart meters, but more work is needed outside the scope of this consultation to ensure this is put into practice.

I want to take this opportunity to thank Ofgem for their commitment to improving customer outcomes for those on PPMs and their willingness to work with consumer stakeholders to this end. We look forward to seeing the outcomes from these final proposals and working with you on this area in future.

Yours sincerely,

Dawn Stobart
Director of External Affairs