

Ofgem: Prepayment meters installed under warrant Consultation Response

Please find Changeworks' response to the consultation questions below.

About Changeworks

[Changeworks](#) is one of Scotland's largest environmental charities – a thriving social enterprise with over 25 years' experience in sustainability. We work with organisations, communities and individuals to deliver practical solutions that reduce carbon emissions, fuel poverty and waste. Changeworks has 200 employees and volunteers and is a [Living Wage Employer](#).

Question 1: Do you agree with the outcomes intended as a result of our policy detailed in paragraph 2.4?

2.4 The outcomes we intend as a result of our policy are that:

- Installations of PPM under warrant are avoided wherever possible, and only used as a last resort. We want to increase the incentives on suppliers to engage with customers in debt to support them (eg putting them on debt repayment plans).
- Suppliers do not impose high costs, and make their charges and process more consistent and transparent.
- Consumers in the most vulnerable situations are protected, from both costs and process which would exacerbate harm.

We agree with the stated outcomes, but would add the following comments:

- Prepayment meters should only be installed under warrant as a last resort. In our experience as an organisation providing support to vulnerable households, we find that suppliers' communications around debt and the PPM warrant process can be intimidating and sometimes aggressive, acting as a disincentive for customers to engage and come to a suitable debt repayment arrangement. Also suppliers are not consistently transparent regarding the range of debt repayment options available to customers, such as monthly cash plans paid at the Post Office or Fuel Direct. Often customers are only offered direct debit or prepayment meters, which forces vulnerable households with unreliable income to opt for prepayment meters.
- We agree with the consultation's statement that warrant costs vary significantly and there is a lack of transparency as to how these costs are ascertained. A standardisation of these costs, with a breakdown of each aspect available publically would be beneficial.
- Extra protection for vulnerable customers is essential. In many cases prepayment meters are an inappropriate payment method for vulnerable households, and suppliers should establish whether this is the case before invoking the warrant process.

Question 2: Do you agree with our preferred option as detailed in paragraphs 2.8 to 2.10?

A **prohibition** protecting consumers in relevant vulnerable situations preventing suppliers from charging them warrant costs. In some cases the prohibition prevents suppliers from installing a PPM.

- We agree that vulnerable households should not have to pay warrant charges, but would add that without a clear definition of what consists a 'vulnerable' customer and an onus for the supplier to find out whether a household fits that criteria, there is the potential this option could be evaded.

A **cap** on warrant costs (the cost of applying for and executing a warrant to force fit a PPM) that suppliers can charge to consumers who go through the process.

- We agree with the proposed cap to keep high costs from being imposed. A particular concern is that high warrant costs can cause people to go over the £500 debt threshold for switching

on a prepayment meter, another barrier for those on the lowest income being able to access cheaper energy prices.

A debt principle of proportionality, covering costs and actions of suppliers, for all customers in the debt recovery path.

- We agree that proportionality should be considered in the case of low debts, for example that warrant and other debt recovery costs should not exceed the original debt, and that suppliers should pursue other routes in these situations.

Question 3: Do you have views on any further unintended outcomes which could be realised in addition to the risks outlined in paragraphs 2.47 to 2.50?

2.47. The cap is likely to redistribute some additional cost from consumers in the warrant process to the larger group of consumers as a whole. Sixty two per cent of the costs of the warrant process are already socialised due to a combination of supplier policies of not charging for all of the costs incurred and incomplete recovery of debt applied to PPMs. The costs which suppliers can no longer recover via charges could be socialised to their wider consumer base and ultimately paid in part by consumers in vulnerable situations. At the proposed level of cap, the additional socialisation has been estimated at £4.5-8.9m.

- We are concerned about any estimated rises in fuel costs, particularly as this is likely to push more households into fuel poverty and would argue that these operational costs should be absorbed by the suppliers where possible rather than passed onto consumers. We recognise, however, that these costs are minimal compared with other social costs such as the Warm Home Discount (~£320m) so should have a relatively small impact on household bills.

2.48. The cap could increase incentives for suppliers to charge up to the cap, in particular for the small number of suppliers who do not currently charge in any circumstances.

- In our experience the majority of suppliers enforce warrant charges so if there are cases where suppliers could charge but choose not to they are very much in the minority and so the risk that this could cause some suppliers to charge who currently do not seems acceptable.

2.49. Suppliers who currently waive charges in some situations could end this as a result of the cap. In order to mitigate this risk the cap needs to be set at a level low enough to ensure that the possible increase in charges is outweighed by the general decrease in high charges.

- Similar to the above, cases where charges are waived are rare other than cases where consumers do eventually engage and a warrant is no longer required (in which case we hope charges would continue not to apply).

Question 4: Do you agree that the cap should be applied when the warrant process is not completed and that no further detail is necessary? (See paragraph 2.54)

2.54. We propose that the cap should be applied in all cases with no exceptions. However, we want to know whether it is appropriate to define any exceptional circumstances in which the cap should not apply.

- We agree that there should be no exceptions to the cap applying. Due to the lack of transparency in warrant costs it is hard to comprehend why there is such a large variation in costs and what factors may exist to cause any exceptions. A new era of standardised, transparent and capped warrant costs would be very welcome.

Question 5: Do you agree with the proposal for a new debt proportionality principle (as detailed in paragraphs 2.59 to 2.66), in that this would not be limited to warrant activities and would require costs and actions relating to ALL debt recovery activities (including transfer objections) to be proportionate? Do you have any views on unintended consequences of this broad scope?

- Extending the debt proportionality to incorporate any additional costs applied to the debt recovery process by suppliers is a proposal we agree with. One unintended consequence that we foresee however is that if debt recovery becomes too expensive or difficult for suppliers to handle themselves, it could encourage more suppliers to outsource debt recovery to debt collection companies who may not come under Ofgem's governance. This could cause unintended harm as in our experience debt collection companies are much less flexible in their approach than suppliers. If possible, these policies and principles should be extended to cover any debt recovery carried out on behalf of energy suppliers by debt collection agencies.
- We agree that suppliers should take customer vulnerabilities into account when dealing with energy theft. In addition, the cost of reconnection following energy theft is similar to prepayment meter warrant charges in that there is variation in the amount charged and a lack of clarity as to how the amount is calculated. We recognise that energy theft is more controversial and so should be considered separately to other debt recovery charges, however similar principles of transparency and potentially a cap on these charges should be considered.

Question 6: Do you agree with our definition of "under warrant" to mean a warrant that would authorise the installation of a PPM. Do you have any views on unintended consequences of this narrow scope?

- We agree with the definition and the proposed actions. One unintended consequence that we would wish to avoid would be if, as a result of the additional restrictions placed on installing prepayment meters under warrant, suppliers increase the number of disconnections. The process should be clear that suppliers are required to pursue other debt recovery options, including installing a prepayment meter under warrant as a last resort before disconnection.