

To: All holders of a gas supplier licence ("licensees") who are relevant licence holders for the purposes of section 23(10) of the Gas Act 1986

NOTICE OF A STATUTORY CONSULTATION ON A PROPOSED MODIFICATION PURSUANT TO SECTION 23 OF THE GAS ACT 1986 OF THE STANDARD CONDITIONS OF THE GAS SUPPLY LICENCES GRANTED OR TREATED AS GRANTED UNDER SECTION 7A(1) OF THE GAS ACT 1986

WHEREAS:

1. Each of the companies to whom this notice is addressed holds a gas supply licence granted or treated as granted pursuant to section 7A(1) of the Gas Act 1986 (the "Act").
2. In accordance with section 23(2), (3) and (4) of the Act, the Gas and Electricity Markets Authority (the "Authority") gives notice ("Notice") that it proposes to modify the standard conditions of the gas supply licence by introducing standard condition 28.B
3. The reasons why the Authority proposes to make this licence modification have been published by the Authority in the following documents:
 - a) Prepayment meters installed under warrant: statutory consultation 03 July 2017; and
 - b) Prepayment meters installed under warrant: final proposals, 2016¹

In summary, the Authority has identified a number of issues with the current practice of installing prepayment meters under warrant which result in poor outcomes for consumers, including those in vulnerable situations.

4. The effects of this proposed modification are described in the documents referred to in paragraph 3 of this Notice. In summary, the effects of this proposed modification include prohibiting suppliers from using warrants in certain exceptional cases, prohibiting suppliers from levying warrant-related costs in certain other cases, and capping the amount suppliers can levy for warrant-related costs in all other cases. In addition, we propose introducing a proportionality principle to protect consumers from some suppliers taking disproportionate action or levying disproportionately high charges in the course of recovering debt.
5. The envisaged text for the proposed modification to introduce standard condition 28.B is set out in schedule 1 to this Notice.
6. A copy of the proposed modification and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively they are available from our Research and Information Centre, 9 Millbank, London, SW1P 3GE (020 7901 7003).
7. Any representations with respect to the proposed licence modification must be made on or before 29 August 2017 to Moritz Weber, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to prepayment@ofgem.gov.uk.

¹ https://www.ofgem.gov.uk/system/files/docs/2016/09/final_proposals_consultation_document.pdf

8. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
9. Subject to responses to the statutory consultation, in the event that the Authority decides to proceed with the proposed modification, it is intended that the modification will take effect on a date which is at least 56 days after the date on which the Authority's decision is published.

**Rachel Fletcher, Senior Partner
Duly authorised on behalf of the
Gas and Electricity Markets Authority**

03 July 2017

Schedule 1 – proposed introduction of standard condition 28.B

The text below constitutes the envisaged modification to introduce standard condition 28.B into the gas supply licence:

Condition 28B. Warrants relating to Pre-payment Meters and other supplier actions to recover debts

Prohibitions on exercising a warrant and recovering costs

28B.1 The licensee must not exercise a Relevant Warrant (or otherwise exercise a statutory power which would give rise to the grounds for obtaining a Relevant Warrant) in respect of a Domestic Customer's premises where such action would be severely traumatic to that Domestic Customer due to an existing vulnerability which relates to their mental capacity and/or psychological state and would be made significantly worse by the experience.

28B.2 The licensee must not charge a Domestic Customer in respect of any costs associated with a Relevant Warrant where:

- (a) that Domestic Customer has a vulnerability which has significantly impaired their ability to engage with the licensee or a Representative in relation to the recovery of a Relevant Payment; or
- (b) that Domestic Customer has a severe financial vulnerability which would be made worse by charging them any costs associated with a Relevant Warrant.

Cap on warrant costs

28B.3 Where the Licensee or any Affiliated Licensee obtains and/or exercises one or more Relevant Warrants (including in relation to premises of Domestic Customers subject to Tariffs which use the brand name of a person that does not hold a Gas Supply Licence and/or Electricity Supply Licence), the total amount of charges they recover (or seek to recover) from the same Domestic Customer in relation to any costs associated with those Relevant Warrants and incurred within the Specified Period must not exceed the Specified Amount (and, for the avoidance of doubt, no additional costs that were incurred within the Specified Period may be recovered during any other period of time).

Proportionality principle for debt recovery activities

28B.4 The licensee must only exercise a Relevant Warrant where such action would be proportionate in the context of the amount of the Outstanding Charges.

28B.5. In relation to the recovery of Outstanding Charges, Other Outstanding Charges or any other debt ('the charges') from a Domestic Customer, the licensee must ensure that:

- (a) any action it or a Representative takes (including, but not limited to, the exercise of statutory powers); and
- (b) the costs which they seek to recover from that Domestic Customer as a result, are proportionate in the context of the amount of the charges.

28B.6 Paragraph 28B.5 does not apply in relation to a Transfer Objection.

Duration of the restrictions

28B.7 Paragraphs 28B.1 to 28B.4 will cease to have effect on 31 December 2020 unless the Authority specifies a later date by publishing a statement in Writing.

28B.8 The power to specify a later date in paragraph 28B.7 may be exercised by the Authority on more than one occasion (before, on, or after the expiry of any later date specified by the Authority).

Definitions for condition

28B.9 For the purposes of this condition:

“Relevant Warrant” means:

- (a) a warrant pursuant to paragraph 23(2)(c) of Schedule 2B to the Gas Act 1986;
- (b) a warrant pursuant to paragraph 7(4) of Schedule 6 to the Electricity Act 1989;
and
- (c) any other type of warrant specified or described by the Authority by publishing a statement in writing (or by issuing a direction to the licensee), following consultation.

“Specified Amount” means £150 or such higher amount as may be designated by the Authority from time to time by publishing a statement in Writing.

“Specified Period” means twelve months or such other (shorter or longer) period which may be specified by the Authority by publishing a statement in writing (or by issuing a direction to the licensee), following consultation.

“Transfer Objection” means to prevent a Proposed Supplier Transfer on grounds permitted by standard condition 14.

“Relevant Payment” has the meaning given in paragraph 7(1A) of Schedule 2B to the Gas Act 1986 and paragraph 2(1A) of Schedule 6 to the Electricity Act 1989.