

## Impact Assessment Form

<p><b>Title: Prepayment meters installed under warrant for non-payment of debt</b></p> <p>Division: Consumers and Competition Team: Consumer Vulnerability Strategy</p> <p>Associated documents: Prepayment meters installed under warrant – Statutory Consultation</p> <p>Coverage: Full coverage of policy decisions in the associated document</p>	<b>Impact Assessment (IA)</b>
	Type of measure: Price control/ Consumer Protection
	Type of IA: Not Qualified under Section 5A UA 2000.
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**Summary: Intervention and Options**

**What is the problem under consideration? Why is Ofgem intervention necessary?**

Suppliers are permitted to force-fit a prepayment meter (PPM) under warrant for domestic energy consumers for non-payment of debt and the cost of this process can be charged to these consumers.

Consumer groups have highlighted cases of suppliers moving to force-fit a PPM under warrant very quickly and multiple instances where consumers in certain vulnerable situations were severely impacted by either the warrant process or the additional burden of the associated costs. In addition, based on a Request for Information issued in May 2016, we identified issues concerning the level, consistency and transparency of charges levied by suppliers using warrants to force-fit PPMs.

Intervention is needed to tackle these issues as current market dynamics have not sufficiently solved them and are not expected to do so in the foreseeable future.

**What are the policy objectives and intended effects including the effect on Ofgem’s Strategic Outcomes**

The outcomes we aim to achieve as a result of our policy are:

- 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 and find alternative ways to recover debt (eg putting customers on suitable debt repayment plans).
- Consumers in the most vulnerable situations are protected, from both costs and processes which would exacerbate harm.
- Suppliers do not impose high warrant costs, and make their charges and processes more consistent, transparent and proportionate.
- Suppliers actions, and any costs they levy, are proportionate in all cases when they seek to recover debt.

<b>Strategic Outcomes</b>	<b>Key word description</b>
Lower bills than would otherwise have been the case.	Lower bills for consumers in the warrant process, particularly a subset of vulnerable consumers. Likely higher bills for the broader consumer base.
Reduced environmental damage both now and in the future.	N/A
Improved reliability and safety.	N/A

Better quality of service, appropriate for an essential service.	Increased incentive for suppliers to engage effectively and earlier with consumers in debt and ensure that debt resolution is in the consumer's best interest.
Better Social Outcomes	Reduced harm for vulnerable consumers in the PPM warrant process. Potential reduction in the total number of PPMs installed under warrant.

**What are the policy options that have been considered, including any alternatives to regulation? Please justify the preferred option (further details in Evidence Base)**

- A **prohibition** from installing a PPM under warrant for some consumers in certain vulnerable situations.
- A **prohibition** from charging warrant costs for some consumers in certain vulnerable situations.
- A **cap** on warrant costs (the cost of applying for and executing a warrant to force-fit a PPM) that suppliers can charge to all consumers who go through the process.
- A **debt principle of proportionality**, covering the actions and costs levied by all suppliers, for all customers in the debt recovery path.

We considered setting clear expectations around existing regulation as an option for meeting the identified issues. However, we are of the opinion that this would not effectively target the issues identified and therefore not sufficiently deliver against our intended policy outcomes. In particular, we are proposing setting prescriptive rules as we think that current obligations are not sufficiently protecting consumers.

Our preferred option is for a cap on warrant charges set at £150 applicable to all charges for the application and execution of a PPM under warrant. This would be accompanied by prohibiting PPMs being installed under warrant to consumers in certain vulnerable situations, and the prohibition of warrant charges to consumers in other specific vulnerable situations. In addition, we include a proportionality principle covering costs and actions of suppliers, for all customers in the debt recovery path.

The prohibition is considered necessary to ensure the protection of consumers in specific vulnerable situations and to increase the incentives for suppliers to avoid the warrant process if possible.

We propose setting the level of the cap at £150 (for a dual fuel customer the cap can only be applied once). This was derived through a combination of an assessment of supplier costs related to the application and execution of a warrant and the policy intent of creating an incentive for suppliers to avoid warrants where possible.

A cap at the proposed level ensures protection for all consumers, especially those in vulnerable situations that are not included under the prohibition of charges. The cap will further improve consistency and transparency of charges, mitigate against cases of high charges and ensure that suppliers are incentivised to avoid using the warrant process if possible. The proposed level further ensures that the likely socialisation of costs by suppliers is kept at an acceptable level, particularly in terms of costs caused by "won't

pay” customers that could eventually harm “can’t pay” customers through higher bills. In addition, setting the cap at £150 maintains a strong engagement incentive for consumers.

We consider the proportionality principle necessary to complement the cap and prohibition to avoid upstreaming of charges from the warrant process to the pre-warrant stage. This will provide protection against cases where suppliers who had previously waived charges for some of their customers might charge up to the level of the cap, and mitigate against the risk of suppliers charging up to the level of the cap even in cases where the warrant is not executed and their costs are reduced as a result.

**Preferred option - Monetised Impacts (£m)**

Nominal Cost to Suppliers	£4.5-7.7m
Nominal Benefit to Ofgem Consumers	£4.5-7.7m
Business Impact Target Qualifying Provision	Yes
Business Impact Target (EANDCB)	£4.2-7.2m
<b>Wider Benefits/Costs for Society</b>	<b>£0</b>

**Explain how the Net Benefit was monetised**

Based on supplier data we estimate the direct cost impact of changes to the amount suppliers are able to charge (under the cap and prohibition) for the application and execution of a warrant. The annual direct cost to suppliers as estimated under the preferred option (£4.5-7.7m) is based on 2015 data (also net benefit to Ofgem consumers) and has been discounted over a three-year period to obtain a net direct cost to businesses (EANDCB). A three-year period has been chosen to reflect the likely effective date of the proposed warrants-focused regulations and our intention to ‘sunset’ these regulations in line with the expected end-date for the smart meter roll-out of 31 December 2020.

These policies are targeted at redistributing some of the cost of the warrant process from consumers in the process (including those in vulnerable situations) to the wider consumer base. As we expect suppliers to pass on the majority of costs incurred by this policy to consumers, we estimate the net effect (wider benefits/costs to society) to be close to or equal to zero.

**Preferred option - Hard to Monetise Impacts**

**Describe any hard to monetise impacts, including mid-term strategic and long-term sustainability factors following Ofgem IA guidance**

Hard to monetise impacts include:

- Increase in administrative costs to suppliers from requirement to identify certain vulnerable situations. This should largely be in place already due to other existing

obligations around vulnerability identification and could be viewed as a shared cost across other requirements on suppliers.

- Reduction in harm suffered by a subset of consumers in vulnerable situations from the prohibition of the installation of a PPM or the charges associated with the installation of a PPM.
- Possible efficiencies (eg combined warrant execution for both fuels, better identification of customer circumstances before warrant execution) in the warrant process reducing the total amount redistributed across the wider consumer base.
- Reduction in potential harm to all consumers having a PPM installed under warrant as a result of high charges due to a cap on charges.
- Reduced costs for PPM consumers should result in more PPM switching and therefore increased competitive pressure in the PPM sector.

We expect the majority of the issues around warrant costs, and measures to address them, to be interim in nature. This is because a warrant will not be required to enter the property once smart meter rollout is complete as meter modes can be switched remotely where a smart meter is installed, without the need to physically enter a property.

## **Key Assumptions/sensitivities/risks**

- We have assumed that the proportion of vulnerable consumers as reported by suppliers for 2015 (10-15%) is the appropriate proportion to assess the impact of the prohibition on charges. To assess the impact of the prohibition on PPM installs, we have used a subset of the 10-15%. This is because we are proposing that the prohibition on installs only applies where the installation would be severely traumatic due to a customer's mental capacity and/or physiological state, so would not apply to every consumer in a vulnerable situation.
- Cap set at £150
- We rely on 2015 data from a Request for Information issued to suppliers in May 2016<sup>1</sup>
- The cost of switching a consumer to prepayment for non-payment of debt are expected to be lower with a smart meter because a physical meter exchange will not be required. The IA does not account for an increasing number of smart meter users which is expected to reduce the use of warrants. If this was factored in the estimated cost may be lower.

## **Key risks**

- Suppliers could view the cap as a recommended charge and remove any non-mandated waiving of charges. This would decrease the redistributive impacts and could result in some consumers in the warrant process paying more as a result.
- Effect of change in consumer and supplier incentives is difficult to estimate. The decrease in warrant charges (only applicable to cases where charges have previously exceeded the level of the cap) could alter the consumer engagement incentive and result in debt increasing further, all the while becoming progressively more difficult to

<sup>1</sup> 16 suppliers provided information on which basis this impact assessment was developed.

<p>manage. For completeness we provide cost estimates if this risk would materialise, however, even if consumer engagement weakens (and we consider this risk to be low) we believe that the policy creates much stronger counteracting incentives on suppliers improving engagement between suppliers and consumers to find repayment solutions other than force-fitting of a PPM.</p>	
Quality Assurance Status	Approved

<p><b>Will the policy be reviewed?</b> Yes</p>	<p><b>If applicable, set review date:</b>                  We have not set a formal review date for the policy. We will be monitoring outcomes on an ongoing basis through our Social Obligations Reporting and associated stakeholder engagement and will review the policy if necessary on the basis of this monitoring.</p> <p>Our proposals also included a 'sunset clause'. This clause would mean that the prohibitions would cease to apply at the expected end-date for smart meter rollout (31 December 2020).</p>
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Is this proposal in scope of the Public Sector Equality Duty?				Yes
Summary of options	Main effects on Ofgem outcomes	Nominal annual costs to suppliers	Nominal annual benefits to consumers	Key Considerations
<p><b>Option 1</b> Do nothing</p>	<p>Small incentive to avoid warrants as cost recovery in the warrant process is already low. Inconsistency, lack of transparency and high charges remain. Charges can be disproportionate to debt. No specific protection for vulnerable consumers.</p>	<p>£0</p>	<p>£0</p>	
<p><b>Option 1</b> Prohibition on some installations and charging</p>	<p>Strengthens incentive to avoid warrants for those with relevant vulnerabilities. Improved fairness for consumers in relevant vulnerable situations but inconsistency, lack of transparency and high charges remain for those</p>	<p>£1.0-1.8m</p>	<p>£1.0-1.8m</p>	<p>Proportion of vulnerable consumers remains as reported by suppliers 10-15%.</p>

	without relevant vulnerabilities.			
<b>Option 2</b> Proportionality principle	Provides small incentive to avoid warrants. Avoids upstreaming of charges. Should tackle some inconsistency and cases of high charges, but risk of insufficient protection remains. Provides some protection for vulnerable but some detriment would likely remain.	Unknown (possibly limited)	Unknown (possibly limited)	
<b>Option 3</b> Cap	Provides incentive for suppliers to avoid warrants as recovery of costs is limited. Improves consistency and transparency of charges and mitigates cases of high charges. Some reduction of costs for vulnerable but some detriment remains through remaining cost and process.	£2.5-6.1m	£2.5-6.1m	Cap set at £150  Cap does mean that a portion of costs for "won't pay" consumers are likely socialised
<b>Option 4</b> Prohibition + Proportionality	Proportionality provides small incentive to avoid warrants for all consumers; prohibition strengthens incentive to avoid warrants for those with relevant vulnerabilities and protects some with relevant vulnerabilities from process harm. Improved fairness for vulnerable and proportionality should tackle some inconsistency and some cases of high charges, but risk of high charges and inconsistency for some consumers remains.	£1.0-1.8m (plus unknown)	£1.0-1.8m (plus unknown)	Proportion of vulnerable consumers remains as reported by suppliers 10-15%.
<b>Option 5</b> Prohibition + Cap	Significantly strengthen incentive to avoid warrants, as recovery of costs is limited. Improved fairness for vulnerable, cap would improve consistency and	£4.5-7.7m	£4.5-7.7m	Proportion of vulnerable consumers as reported by suppliers 10-15%.  Cap set at £150

	<p>transparency of charges and mitigate cases of high charges for non-vulnerable. Risk of warrant costs being recovered upstream of warrant process in some cases remains, no added protection for indebted consumers where a warrant is not being used.</p>			<p>Cap does mean that a portion of costs for "won't pay" consumers are likely socialised</p>
<p><b>Option 6</b> Prohibition + Proportionality + Cap  <b><i>preferred option</i></b></p>	<p>Significantly strengthens incentive to avoid warrants, as recovery of costs is limited. Improved fairness for vulnerable with cap and proportionality to improve consistency and transparency of charges and mitigate cases of high charges. Proportionality further ensures fairness throughout the debt process for all consumers.</p>	<p>£4.5-7.7m (plus unknown)</p>	<p>£4.5-7.7m (plus unknown)</p>	<p>Proportion of vulnerable consumers as reported by suppliers 10-15%.  Cap set at £150  Cap does mean that a portion of costs for "won't pay" consumers are likely socialised</p>

## Justification for Action

- 1.1. This impact assessment focusses on proposals to address issues identified with supplier practices relating to installation of PPMs under warrant for non-payment of debt.<sup>2</sup> We raised concerns about the impact of warrant charges on customers' debt levels as well as concerns about the levels, consistency, application and transparency of the charges themselves. We were also concerned by the lack of consideration of customers' vulnerability when pursuing installation of PPM under warrant and occasions when suppliers pursue a warrant too quickly.
- 1.2. Warrants are typically used by suppliers to install a PPM to resolve cases where customers cannot agree a repayment arrangement for their energy debts or do not engage with their supplier in response to debt communications. We have made it clear that we think a warrant should only be used as a last resort to prevent a customer from being disconnected<sup>3</sup>. A warrant application is made at the relevant court, the warrant is then executed at the customer's premises to install a PPM. In the majority of cases, the costs for warrant application and execution are passed through to the customer and added to the debt applied to the PPM.
- 1.3. To inform the impact assessment, we issued a Request for Information ("the RFI") to all domestic suppliers in May 2016 asking for details of costs and charges for each stage of the debt recovery and warrant process as well as details of the frequency of application of these charges to all consumers and, as a subset, consumers in vulnerable situations. Sixteen suppliers provided a response to the RFI.
- 1.4. In September 2016 we published our final proposals to protect customers who have PPMs installed under warrant.<sup>4</sup> We asked for stakeholders' views on our proposals and on the *draft* impact assessment.

## Development of Options

- 1.5. This section gives context to the development of policy options and describes how the options were refined prior to analysis.

### Context

- 1.6. Suppliers have the right to recover<sup>5</sup> expenses incurred from installing a PPM under warrant from the consumer. This includes any expenses that are incurred as a direct result of the permitted actions, eg court application costs, locksmith fees etc.

<sup>2</sup> Several of the other barriers identified in our PPM research are being addressed by the Competition and Markets Authority's (CMA) remedies following their investigation of the energy market. <https://www.gov.uk/cma-cases/energy-market-investigation>

<sup>3</sup> Ofgem statement on prepayment meters installed under warrant <https://www.ofgem.gov.uk/publications-and-updates/ofgem-statement-prepayment-meters-installed-under-warrant>

<sup>4</sup> [https://www.ofgem.gov.uk/system/files/docs/2016/09/final\\_proposals\\_consultation\\_document.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/09/final_proposals_consultation_document.pdf)

<sup>5</sup> The Gas Act 1986 (also the Electricity Act 1989)

- 1.7. Where suppliers exercise such statutory powers they will need to take customer vulnerabilities into account to the extent this is relevant to existing licence conditions, such as the standard of conduct in standard licence condition 25C.
- 1.8. Practices and charges vary widely between suppliers with the result that consumer outcomes can vary significantly particularly for consumers in vulnerable situations. For example, responses to the RFI suggest that typical charges passed through to consumers for the application of a warrant range from no charge to over £100. Magistrates' Courts in England and Wales charge £20 for a warrant of entry<sup>6</sup> and the Justice of the Peace Courts charge £11 for Applications for Utility Warrants<sup>7</sup>. The difference between the court fees and the charges applied by suppliers demonstrates that some suppliers add substantial additional charges at the warrant application stage.
- 1.9. Some suppliers already apply a cap to charges to protect consumers from extreme charges whereas other suppliers pass through the entirety of costs including complex cases with additional support from locksmiths, dog handlers and meter providers.
- 1.10. Many suppliers treat dual fuel consumers as two separate accounts in the warrant process so two sets of charges are often applied with the result that overall charges can total well over £600.
- 1.11. Consumer groups have indicated that in some cases suppliers have not followed their own processes to engage properly with consumers, and have progressed to the warrant stage in haste. Consumer groups have further raised concerns that warrant charges can be greater than the debt owed by the consumer.
- 1.12. In addition, the approaches to protecting consumers in vulnerable situations and managing non-payment of debt by those consumers vary between suppliers. Some suppliers have set up processes to identify and support consumers in vulnerable situations while other suppliers offer no particular difference in treatment for consumers in vulnerable situations in their debt path.
- 1.13. Therefore, we have developed protections with the following target outcomes:
- Outcome 1 – **Installations of PPMs under warrant are avoided wherever possible.** In practice, this would mean an adjustment of incentives to achieve more effective engagement with consumers in debt resulting in a decrease in the number of installations under warrant.
  - Outcome 2 – **Appropriate outcomes.** Including consistency and transparency of actions and charges. This also includes protection for consumers from high charges and debt resolution in the best interest of consumers.
  - Outcome 3 - **Protection for consumers in vulnerable situations** including protection from both costs and process in cases where harm would be exacerbated.

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<sup>6</sup> Magistrates' Courts, England and Wales, Courts Fees Amendment Order 2014  
[http://www.legislation.gov.uk/ukxi/2014/875/pdfs/ukxi\\_20140875\\_en.pdf](http://www.legislation.gov.uk/ukxi/2014/875/pdfs/ukxi_20140875_en.pdf)

<sup>7</sup> Justice of the Peace Court Fees  
<https://www.scotcourts.gov.uk/rules-and-practice/fees/j-p-court-fees>

## Refinement of Options

- 1.14. A range of policy options have been considered including the option to do nothing.
- 1.15. Some suggested options, such as the complete removal of charges (for all consumers) for PPM installation under warrant for non-payment of debt, were discarded as they were considered disproportionate and likely to result in unintended consequences, such as a decrease in consumer engagement with debt. Others, such as a high cap on charges to tackle extreme cases, were discarded as they did not address all of the market issues identified.
- 1.16. We also considered relying on non-financial incentives to foster better supplier engagement throughout the debt path in the form of setting clear expectations around existing regulation. However, we are of the opinion that this would not effectively target the issues identified and therefore not sufficiently deliver against our intended policy outcomes.
- 1.17. In this impact assessment we have focussed on three distinct policy options:
- prohibition from installing a PPM under warrant for some of the most vulnerable consumers and prohibition of charges for other vulnerable consumers in specific circumstances;
  - a cap on warrant charges applicable for all consumers; and
  - a principle of proportionality of charges and process across all debt recovery activities.
- 1.18. These policy options are described and considered independently and in combination to create measures that together address the target outcomes.
- 1.19. For the prohibition option, some aspects of the impact are difficult to estimate, such as the prevalence of certain consumer vulnerabilities. The impact will be estimated using the best available data and with a transparent set of assumptions.
- 1.20. For the option of a cap on warrant charges, a range of cap levels are considered and analysed to enable a recommendation for the level of the cap. We have set the level of the cap and described the purpose of setting the cap at this level.

### Option sets for analysis

1.21. The options sets for analysis are:

Option number	Policy Title	Policy description
0	Do nothing	Status quo.
1	Prohibition	Prohibition from PPM installation under warrant for a subset of consumers in vulnerable situations and warrant charges for consumers in relevant vulnerable situations.
2	Proportionality	Proportionality principle which applies to action taken and charges applied by suppliers across all debt recovery activities for all consumers
3	Cap	A cap on warrant charges applicable for all consumers
4	Prohibition + Proportionality	Combination of prohibition applying to PPM installation under warrant and warrant charges for consumers in relevant vulnerable situations and proportionality applied to action taken and charges applied by suppliers across all debt recovery activities for all consumers
5	Prohibition + Cap	Combination of prohibition applying to PPM installation under warrant and warrant charges for consumers in relevant vulnerable situations and a cap on charges for all other consumers
6 <i><b>preferred option</b></i>	Prohibition + Proportionality + Cap	Combination of prohibition applying to PPM installation under warrant and warrant charges for consumers in relevant vulnerable situations, a cap on charges for all other consumers and proportionality applied to action taken and charges applied by suppliers across all debt recovery activities for all consumers

### Analysis of options

1.22. For the purposes of this analysis, the status quo is considered to be a continuation of suppliers' existing charging practices and the same number of PPM installations for non-payment of debt under warrant as in 2015. This is based on us completing our RFI based on 2015 data, thus making it the most suitable year for comparison. It is also appropriate to use a complete year of data because customer debt is influenced by seasonal energy consumption (particularly increased gas consumption in winter) so there is a possibility of seasonal changes impacting the warrant process.

1.23. The primary effect of our policy options is to remove or reduce cost to consumers in the warrant process. We refer to this effect as the direct saving of each option set which is equivalent to the direct cost to suppliers.

1.24. Suppliers have indicated that any reduction in charges and any increase in bad debt would likely be socialised to the wider customer base so the net monetised cost to consumers as a whole is estimated as zero. However, the socialisation of

costs away from consumers in the warrant process should result in significant benefits to those consumers well in excess of the detriment caused when that cost is socialised across a large group of consumers.

1.25. The administrative cost of the policy options is discussed and compared although we note that our data for analysis here is limited. In our September 2016 draft impact assessment we asked supplier to provide more information on a potential administrative cost of the policy. We did not receive new evidence.

1.26. The complex nature of supplier and consumer incentives in their interaction during the debt process leading up to installation of PPM under warrant is primarily included as a qualitative assessment of the likely changes to incentives as a result of each option set. However, in response to concerns raised by suppliers in our last consultation, for the preferred option set we include a quantitative assessment of the risk of changing consumer incentives and its potential impact on supplier costs.

### *Direct savings of options relative to the baseline*

1.27. Each policy option set is primarily defined by the expected changes to charges recovered from consumers.<sup>8</sup> The effect of each policy option set relative to the baseline is calculated by comparing the baseline level of charge recovery (an aggregation of charges applied by all suppliers) with the recovery of charges under each option set.

1.28. This recovery proportion demonstrates that the costs recovered from consumers are significantly lower than the charges applied and suggests that 45% of the warrant charges applied to PPMs are never paid back. This factor is used to scale the impact of each policy option to reflect ultimate recovery of charges achieved by suppliers.

1.29. In addition to changes in warrant charges we assess the impact on supplier costs of prohibiting installation of PPMs under warrant for a subset of vulnerable consumers. The latter could lead to additional bad debt if consumers avoid paying for their energy and suppliers were prohibited from installing a PPM under warrant.

1.30. There is a risk that removing cost from one group of consumers in vulnerable situations in the warrant process could result in increased cost for a wider group including other consumers in vulnerable situations. However, the wider group is likely to be much broader so the cost increase is estimated to be relatively small.

### *Regulatory and administration burden*

1.31. Implementation and monitoring cost for each policy package will be a qualitative and comparative assessment. Our data for analysis here is limited.

### *Effects on consumer and supplier incentives*

1.32. Each change in charging policy and installation practice could have an effect on consumer engagement with the debt process and a parallel effect on suppliers' incentives to engage effectively with consumers. As part of the RFI, we requested

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<sup>8</sup> Some policy options include an estimate of additional bad debt.

any available data on the strength of existing incentives for consumer and supplier engagement.

- 1.33. We have found very little data to demonstrate or quantify the strength of the incentive for consumers to engage as a result of warrant charges although the consensus from suppliers is that the prospect of warrant charges provides an incentive for consumers to engage. We note that during the debt and warrant process customer numbers decrease, however, it is difficult to clearly attribute this effect to either (a) the incentive provided by the warrant charges, (b) the PPM installation itself or (c) supplier engagement efforts. Therefore, a reduction in customer numbers itself cannot be used as evidence of an effective incentive provided by the charges.
- 1.34. Some suppliers did offer specific evidence of consumer incentives relating to warrant charges. One supplier described increased engagement following letters mentioning charges while another claimed increased engagement since transparency of charges in letters had been improved. Another stated that engagement improved once external debt collectors began working on each case but again it is difficult to isolate the effect of the incentive provided specifically by the possibility of charges as opposed to the effectiveness of supplier engagement efforts.
- 1.35. The incentive for suppliers to engage more effectively with consumers to avoid warrants is linked to reducing suppliers cost from the warrant process and more effective overall recovery of debt. Several suppliers pointed out that they are already incentivised to avoid warrants as they do not pass through all of their costs; they said they do not ultimately recover a significant proportion of charges applied.
- 1.36. Some suppliers, however, acknowledged that their main focus is to recover the energy debt and to end the accrual of further energy debt. To this end, the warrant process provides a significant benefit to suppliers and we are still concerned that some suppliers might pursue a warrant when an alternative resolution is possible and in the better interests of the consumer.
- 1.37. Modelling incentives is complex especially given the difficulty to isolate the effect of the policy. While we consider the risk of the policy to reduce consumer engagement to be low, we nevertheless provide an assessment of the risk's potential magnitude for the preferred set of options.

### **Baseline - Analysis of the "do nothing" option**

#### *Direct savings*

- 1.38. In 2015, the numbers of prepayment meters installed under warrant were 46,000 for electricity and 44,000 for gas.<sup>9</sup>
- 1.39. Data collected in the RFI suggests that the costs incurred by suppliers for warrant applications and executing warrants were £43.4m in 2015. This compares to a total of charges applied for warrant application and execution equal to £29.7m

<sup>9</sup> [https://www.ofgem.gov.uk/system/files/docs/2016/10/social\\_obligations\\_report\\_2015.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/10/social_obligations_report_2015.pdf)

showing that suppliers' existing policies result in incomplete charging of costs incurred in the warrant process (68%) with £13.7m in costs socialised.

- 1.40. This incomplete charging for costs incurred is the result of self-imposed policies introduced by suppliers and is separate to the 55% ultimate recovery of charges applied. Some suppliers seek to recover all of their cost from consumers whereas other suppliers either cap charges at a level below the cost incurred or waive charges to consumers in certain circumstances. Some suppliers with low levels of warrant activity do not apply warrant charges at all<sup>10</sup>.
- 1.41. In some cases, the data provided does not include internal costs<sup>11</sup> and is a direct representation of the cost charged to suppliers by external debt collection contractors. If internal costs were included in the analysis, then the degree of charging for costs incurred would be lower.
- 1.42. When we exclude the proportion of debt and charges which is not ultimately paid by consumers, this decreases the recovery of costs further. Applying the 55% proportion means that only £16.6m is ultimately repaid which represents only 38% of the costs faced by suppliers.

Total costs faced by suppliers	£43.4m
Total charges applied to consumers	£29.7m
Proportion of charging for costs incurred	68%
Proportion of charges ultimately recovered from consumers	55%
Charges ultimately recovered	£16.4m
Proportion of total costs recovered from consumers	38%

- 1.43. For suppliers with a significant number of warrant executions in 2015, the proportion of consumers identified as being in vulnerable situations at the warrant application stage varied from 2% to 40% (average 10%) and at the warrant execution stage from 3% to 34% (average 15%). These wide ranges could be either a result of differences in suppliers' identification and recording of vulnerability or differences in suppliers' policies around progressing consumers to warrant when vulnerability has been identified.
- 1.44. The majority of suppliers reported a higher proportion of consumers in vulnerable situations at the warrant execution stage (15%) than at warrant application (10%). Again, this could reflect more effective identification of vulnerability at the warrant execution stage when entry is made to the property (in some cases for the first time). Alternatively, it could reflect the fact that vulnerability impairs engagement with the warrant process so that those customers in vulnerable situations are more likely to progress to warrant execution.
- 1.45. For consumers in vulnerable situations (as identified by suppliers) the total of costs faced by suppliers for warrant applications and executions in 2015 was approximately £5.6m compared to total charges applied to these consumers of £1.9m, showing that suppliers' existing policies result in incomplete charging of costs incurred in the warrant process (34%). This shows that while consumers in

<sup>10</sup> Two suppliers out of the 16 which installed at least one PPM under warrant in 2015

<sup>11</sup> Internal costs including additional administrative costs incurred by the supplier in addition to costs of external debt collection contractors

vulnerable situations are charged by many suppliers, the proportion of costs applied as charges for these consumers (34%) is significantly lower than for the complete set of consumers in the warrant process (68%).

- 1.46. When we exclude the proportion of debts and charges which are not ultimately paid by consumers<sup>12</sup>, the total of charges paid by vulnerable consumers is only £1.0m which is a relatively small proportion of the costs faced by suppliers (17%). This shows that the majority of the cost of the warrant process for consumers reported as vulnerable by suppliers is already socialised.

Total costs for consumers in vulnerable situations	£5.6m
Total charges applied to consumers in vulnerable situations	£1.9m
Proportion of charging for costs incurred to consumers in vulnerable situations	34%
Proportion of charges ultimately recovered from consumers in vulnerable situations	51%
Charges ultimately recovered from consumers in vulnerable situations	£1.0m
Proportion of costs recovered from consumers in vulnerable situations	17%

*Benefits as measured against target outcomes*

- 1.47. **Warrant avoided wherever possible** – Standard licence condition 27.6 of the supply licence (customers in payment difficulty) sets out a number of services that must always be offered to customers in payment difficulties.<sup>13</sup> The installation of a PPM under warrant should always be a last resort<sup>14</sup>. The low level of recovery of costs from the warrant process gives suppliers some incentive to avoid warrants but we are concerned that the warrant process provides a simple solution to customers in debt which is in suppliers' interests but not necessarily always in the best interest of the affected consumers.
- 1.48. **Appropriate outcomes** – Suppliers have a statutory power allowing them to recover the costs of warrant activities from consumers. The charges applied by suppliers vary significantly, lack transparency, are extremely high and in some cases are in excess of the value of the debt. The warrant charges allow suppliers to give an incentive for consumers to engage with their debts and seek to recover as much of their costs as they see fit.
- 1.49. **Protection for consumers in vulnerable situations** – The protection for consumers in vulnerable situations is provided by suppliers' own policies but there is inconsistency between suppliers' approaches and consumer outcomes. Some suppliers appear to provide substantial protection to vulnerable consumers while others appear to take a minimal approach.

<sup>12</sup> Due to the different charging practices of suppliers and the different proportion of charges ultimately recovered for different suppliers, the average proportion for consumers in vulnerable situations (51%) is lower than the proportion for all consumers (55%).

<sup>13</sup>

<https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Supply%20Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf>

<sup>14</sup> Ofgem statement on prepayment meters installed under warrant

<https://www.ofgem.gov.uk/publications-and-updates/ofgem-statement-prepayment-meters-installed-under-warrant>

Option number	Outcomes Policy Title	Warrant avoided where possible	Fair and appropriate outcomes	Protection for Vulnerable
0	Do nothing	Low level of cost recovery and encouragement to use PPM as a last resort provide some incentive to not use warrants.	Charges must be cost based but are subject to inadequate competitive pressures. Charges are inconsistent and not transparent. Charges can be high compared to debt	No specific protection for vulnerable

*Regulatory and administration burden*

1.50. Suppliers are encouraged to use installation of PPMs under warrant for non-payment of debt only as a last resort which should include multiple attempts to engage with the consumer via correspondence, phone and house visit. We asked suppliers to provide more information on their administrative costs. We did not receive new evidence.

*Impacts of the PPM price cap*

1.51. The PPM price cap restricts the cost of standard PPM tariffs and provides some protection from disproportionately high tariffs for PPM consumers. The PPM price cap leaves PPMs a less attractive solution for suppliers when trying to resolve situations of credit customers in debt and will contribute towards encouraging suppliers to avoid warrants if possible.

*Impacts of smart meter rollout*

1.52. Smart meter rollout means that we expect the majority of the issues around warrant costs, and measures to address them, to be interim in nature. This is because a warrant will no longer be required as a supplier will be able to switch the mode of a meter from credit to PPM or vice-versa remotely without needing to gain entry to a property.

**Analysis of option 1: Prohibition of PPM installation under warrant and prohibition of warrant charges for consumers in relevant vulnerable situations**

1.53. To estimate the impact of this prohibition we need to estimate the number of consumers in relevant vulnerable situations who would qualify for exemption from charges or installation under warrant. We expect a higher proportion of consumers in vulnerable situations in the warrant process compared to their share amongst all energy consumers.

1.54. In response to the RFI, suppliers informed us that 10-15% of warrant activities were for customers in vulnerable situations. It is difficult to determine whether the level of vulnerability reported by suppliers is an accurate reflection of consumer circumstances. Also, our prohibition is targeting a subset of consumers in

vulnerable situations so the binary vulnerability data (vulnerable/not vulnerable) collected from suppliers does not give sufficient detail.

1.55. The prohibition on installation of PPMs under warrant is targeted at an even smaller subset of consumers in vulnerable situations, ie situations where the process of the installation itself would cause harm by being particularly traumatic to consumers with a relevant vulnerability. We think in general that these are likely to be exceptional cases, for example someone with extreme anxiety, or someone who had experienced domestic violence.

1.56. As we lack accurate data on numbers of consumers in vulnerable situations to whom the prohibition would apply, we assume that the prohibition of charges applies to all consumers in vulnerable situations as identified by suppliers and the prohibition of PPM installations to a small subset thereof. We appreciate that this may not be the case in practice.

*Direct savings of options relative to the baseline*

1.57. If the prohibition on charges is applied to the proportion of consumers in vulnerable situations as identified by suppliers (10-15%), it would result in the total of warrant charges decreasing by £1.9m and the ultimate repayment of charges decreasing by £1.0m.

**Direct savings impact from prohibition of charges**

Charges applied to consumers in vulnerable situations (change to do nothing)	£0.0 (-£1.9m)
Costs recovered from consumers in vulnerable situations (change)	£0.0 (-£1.0m)
Key risk: Proportion of relevant vulnerable situations is unknown and could be higher or lower than the estimate used here	

1.58. The impact of the prohibition on PPM installations under warrant depends on the number of consumers for which the execution of a warrant would be severely traumatic due to their relevant vulnerability. Due to a lack of relevant data we apply scenario analysis assuming that the subset of consumers to which the prohibition applies could range between 0-10% (this range is purely illustrative) of all those consumers identified as vulnerable by suppliers at the warrant execution stage.

1.59. If disconnecting consumers is not a suitable option because of their vulnerability, and all other options to arrange a repayment plan have been exhausted, this could result in a cost to suppliers of continued energy supply without being able to recover this cost. We estimate that the cost to suppliers could range between £0-0.8m per year.

1.60. These savings, however, would only occur if suppliers could not agree a suitable repayment plan. In particular, we would expect suppliers to do more to identify a relevant vulnerability before reaching the point of installing a PPM under warrant.

**Direct savings impact from prohibition on PPM installs**

Total number of PPMs installed under warrant (2015)	90,000
Number of vulnerable consumers as identified by suppliers at warrant execution stage (15%)	13,500
Number of consumer at warrant execution stage which are severely vulnerable and could qualify under the prohibition of PPM installations (0-10%)	0-1,350
Average annual single fuel bill in (2015)	£583
Direct savings to vulnerable consumers protected from PPM installation	£0-0.8m
Key risk: Proportion of relevant vulnerable situations is unknown and could be higher or lower than the estimate used here	

1.61. Combining the results of the two elements of the prohibition proposal, total savings to consumers of the policy option are estimated at £1.0-1.8m.

**Summary table – option 1**

Direct savings to vulnerable consumers due to prohibition on charges	£1.0m
Direct savings to vulnerable consumers due to prohibition on installs	£0-0.8m
<b>Direct savings of policy option</b>	<b>£1.0-1.8m</b>

*Benefits as measured against target outcomes*

Option number	Outcomes			
	Policy Title	Warrant avoided where possible	Fair and appropriate outcomes	Protection for Vulnerable
1	Prohibition	Prohibition strengthens incentive to avoid warrants for those with relevant vulnerabilities as costs can't be recovered from them	Improved fairness for vulnerable but inconsistency, lack of transparency, high charges would remain for non-vulnerable	Prohibition provides protection for consumers in certain vulnerable situations

*Regulatory and administration burden*

1.62. The assessment of consumer vulnerability places an administrative cost on suppliers. The prohibition relies on suppliers maintaining a record of consumer vulnerability. Yet, several other supplier responsibilities rely on suppliers maintaining an up to date record of consumer vulnerabilities such as the Priority Services Register or rules around not disconnecting certain vulnerable groups in winter.<sup>15</sup> We would expect additional improvement in the identification of consumers in vulnerable situations due to our enforcement priorities with focus on

<sup>15</sup> Standard Licence Condition 27.10 and 27.11

consumer vulnerability.<sup>16</sup> We are also consulting on a broad Vulnerability Principle which will require suppliers to improve their identification of vulnerabilities.<sup>17</sup>

1.63. We expect that the administrative costs for suppliers could rise as a result of this policy requiring the identification of specific types of relevant vulnerable situations. Yet we believe this increase to be moderate given the number of already in place requirements and supplier practices to identify consumer vulnerabilities. In addition, whilst the complexity of identifying vulnerable consumers may increase, an improved understanding of consumer situations could also help suppliers in other areas such as risk management and controlling bad debt.

#### *Effects on consumer and supplier incentives*

1.64. The prohibition risks removing charges as an engagement incentive from some consumers but we consider that our focused definition, defined in the draft licence conditions, of the relevant vulnerable situations will ensure that only those consumers who cannot engage or who would suffer severe detriment are protected. The prohibition should also incentivise suppliers to avoid warrants for consumers in vulnerable situations as they would not be able to recover any of their costs.

1.65. The prohibition on PPM installations using a warrant risks an increase in disconnections as suppliers lose an option to recover debt. There are currently protections in place that ensure consumers in a vulnerable situation cannot be disconnected during winter months, while Energy UK's Safety Net also directs suppliers not to disconnect a customer in a vulnerable situation at any time.

1.66. While the prohibition on PPM installs under warrant provides a strong incentive to suppliers to better identify potential vulnerabilities before the final stages of the debt path, there is a risk that the prohibition on charges could incentivise suppliers to not identify consumers in relevant vulnerable situations in order to charge up to the level of the cap.

#### **Analysis of option 2: Proportionality principle**

1.67. This option consists of a principle of proportionality intended to mitigate high costs by ensuring that the action taken and the costs that suppliers seek to recover from all consumers throughout the debt recovery process are proportionate.

1.68. Consumer groups, and our 2015 review indicated cases of disproportionate warrant charges and processes, but we do not have data indicating the scale of these issues. The impact of this principle could be limited because it essentially formalises a principle of good practice and for the majority of suppliers could result in a modest or no adjustment of approach.

#### *Direct savings of options relative to the baseline*

1.69. The lack of data specific to this principle means that we are not in a position to quantify the resulting savings. This principle could be expected to have a direct

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<sup>16</sup> Annual Enforcement Priorities 2016/17 <https://www.ofgem.gov.uk/publications-and-updates/annual-enforcement-priorities-201617>

<sup>17</sup> [https://www.ofgem.gov.uk/system/files/docs/2017/06/statutory\\_consultation\\_-\\_standards\\_of\\_conduct\\_for\\_suppliers\\_in\\_the\\_retail\\_energy\\_market\\_0.pdf](https://www.ofgem.gov.uk/system/files/docs/2017/06/statutory_consultation_-_standards_of_conduct_for_suppliers_in_the_retail_energy_market_0.pdf)

impact on charges applied by encouraging suppliers to take a staged approach to debt recovery where they do not already do so and assessing the size of debt when determining the appropriateness of warrant charges. This impact is expected to be limited. The staged approach to debt recovery will be especially relevant where debt is accruing slowly and will result in an avoidance of warrants relating to low levels of debt and a possible overall reduction in the number of warrants.

**Direct savings impact of proportionality principle**

Charges applied (change from 'do nothing')	Unknown (possibly limited)
Charges applied to consumers in vulnerable situations (change)	Unknown (possibly limited)
Costs recovered (change)	Unknown (possibly limited)
Costs recovered from consumers in vulnerable situations (change)	Unknown (possibly limited)
Direct savings of the policy option	Unknown (possibly limited)
Key risk: We have limited data to assess the number of cases where applying a proportionality principle would have an impact	

*Benefits as measured against target outcomes*

Option number	Outcomes Policy Title	Warrant avoided where possible	Fair and appropriate outcomes	Protection for Vulnerable
2	Proportionality	Proportionality of action should ensure that every opportunity is given to avoid warrant although incentive for supplier to do so could be stronger	Should tackle some inconsistency and some, but not all cases of high charges.	Proportionality of action and charges provides some protection for vulnerable but some detriment would remain

*Regulatory and administration burden*

1.70. This policy is expected to add minimal or no additional administrative cost to suppliers. We expect suppliers to be aware of the level of consumer debt when seeking to recover that debt and also to be able to consider the proportionality of their approach with minimal or no additional burden.

*Effects on consumer and supplier incentives*

1.71. The proportionality principle is unlikely to affect consumer engagement incentives but should mean that suppliers are incentivised to avoid some warrants and high costs. Consumers would still have the prospect of proportionate charges to encourage engagement. Proportionality of action should mean that suppliers take appropriate action to encourage consumer engagement and give adequate opportunity for consumer engagement and the avoidance of warrants.

**Analysis of option 3: A cap on warrant charges applicable for all consumers**

1.72. For dual fuel customers we suggest that the cap is applied per customer as opposed to per fuel so that a dual fuel customer would only pay the capped charge

once. Suppliers should be incentivised to realise dual fuel efficiencies. That is, some costs incurred throughout the warrant process could be streamlined when carrying out the action for electricity and gas together. In addition, applying the cap only once would minimise disruption to dual fuel consumers by only entering their property on one occasion to install the meters. From the RFI we note that some suppliers already apply warrant charges only once per customer account.

- 1.73. In the RFI, we collected data on unit costs for warrant applications, executions and associated activities. To establish an indicative cost of warrant activities for single fuels we have taken the minimum cost of each stage ignoring outliers. For the warrant application stage this is circa £50 and for the warrant execution stage this is circa £160. A combination of both stages suggests an indicative cost of circa £210.
- 1.74. A low cap (eg below £50) would provide more protection for consumers in vulnerable situations and would strongly incentivise suppliers to avoid warrants if possible. But this option would significantly restrict suppliers' ability to recover costs of the process and would result in most of the costs from warrant PPM installations for "won't pay" customers being socialised thus increasing costs for other consumers who could be vulnerable. We would also be concerned that a low cap would reduce the incentive for consumers to engage with debt and could lead to a worsening of their situation.
- 1.75. A high cap (eg above £200) would be close to the average of current single fuel warrant charges. It would protect dual fuel consumers but would only provide limited protection for single fuel consumers. A cap at this level would reduce the socialisation of costs to a minimum but would not provide the protection required for consumers in relevant vulnerable situations or provide a significant change in the incentive for suppliers to avoid the warrant process or to control costs.
- 1.76. A cap set at a medium level could achieve a balance of beneficial outcomes including encouraging suppliers to avoid warrants, resolving any unfairness from cases of high charges, incentivising suppliers to control the cost of the warrant process and maintaining an engagement incentive for consumers.
- 1.77. provide suppliers with an incentive to consider ways to debt recovery other than installation of a PPM under warrant we consider to set the cap at a level below the indicative cost (£210). There are several suppliers who already apply charges at or below this indicative cost but for other suppliers this level would represent a significant discount on current charges.
- 1.78. To establish the appropriate level for a cap we present analysis of a cap at £50, £100, £150 and £200.

*Direct savings of options relative to the baseline*

- 1.79. The direct saving impacts of a cap set at £50, £100, £150 and £200, assuming no other changes in supplier application of charges, are presented in the table below:

**Direct savings impact, assuming no changes to supplier application of charges (£m)**

Level of cap	£50	£100	£150	£200
Charges applied (change from 'do nothing')	8.2 (-21.5)	14.2 (-15.5)	18.6 (-11.1)	22.2 (-7.5)
Charges applied to consumers in vulnerable situations (change)	0.5 (-1.4)	1.0 (-0.9)	1.5 (-0.5)	1.7 (-0.2)
Costs recovered (change)	4.6 (-11.8)	8.0 (-8.4)	10.3 (-6.1)	12.2 (-4.2)
Costs recovered from consumers in vulnerable situations (change)	0.3 (-0.7)	0.5 (-0.5)	0.8 (-0.2)	0.9 (-0.1)
<b>Direct savings of policy option</b>	<b>11.8</b>	<b>8.4</b>	<b>6.1</b>	<b>4.2</b>

1.80. There is a risk that suppliers will view the cap as a recommended charge as opposed to an upper bound. This could result in an increase of charges applied by suppliers which currently charge less than the cap. It could also result in suppliers not waiving any charges for consumers and thus applying the capped charge to all consumers reaching the warrant execution stage. The direct savings impacts of the cap under these assumptions are decreased with some cases resulting in an overall increase in the charges applied.

**Direct savings impact, assuming charges increase up to the cap (£m)**

Level of cap	£50	£100	£150	£200
Charges applied (change from 'do nothing')	11.3 (-18.3)	19.5 (-10.2)	24.7 (-5.0)	30.1 (+0.4)
Charges applied to consumers in vulnerable situations (change)	1.2 (-0.7)	2.2 (+0.3)	3.2 (+1.3)	4.2 (+2.3)
Costs recovered (change)	6.5 (-10)	11.1 (-5.3)	13.9 (-2.5)	16.8 (+0.4)
Costs recovered from consumers in vulnerable situations (change)	0.7 (-0.3)	1.2 (+0.3)	1.8 (+0.8)	2.4 (+1.4)
<b>Direct savings of policy option</b>	<b>10.0</b>	<b>5.3</b>	<b>2.5</b>	<b>-0.4</b>

1.81. This analysis suggests that with a cap set at £100 or higher without additional policies risks increasing charges for consumers in vulnerable situations. In fact, to balance the risk of increased charges the cap would need to be set at below £75.

1.82. The impact of the cap is distributed to suppliers which currently charge more than the cap. Some suppliers currently apply charges below the level of the proposed cap range in typical circumstances so the cost impact for those suppliers would be negligible. For other suppliers with current charging policies significantly higher than the range of caps analysed, the impact is potentially significant. For several suppliers, charges currently applied are in excess of £300 so the impact would be more than £100 for every warrant application and execution.

1.83. The major drawback of a cap operating with no other policy interventions is that the protection provided to consumers in relevant vulnerable situations is not considered adequate as charges or the installation of a PPM itself could still cause detriment.

*Benefits as measured against target outcomes*

Option number	Outcomes Policy Title	Warrant avoided where possible	Fair and appropriate outcomes	Protection for Vulnerable
3	Cap	Cap provides incentive for suppliers to avoid warrants as recovery of costs is limited. Lower level of cap provides a stronger incentive to suppliers	Cap would improve consistency and transparency of charges and mitigate cases of high charges. Cap does mean that a portion of costs for "won't pay" consumers are likely to be socialised	Some reduction of costs for vulnerable but some detriment remains through cost and process.

*Regulatory and administration burden*

1.84. The cap would be low impact in terms of administrative cost for suppliers as it would simply change the charges which they are able to apply for the warrant process. We would not anticipate any significant increase in administrative costs as a result.

*Effects on consumer and supplier incentives*

1.85. For the range of caps analysed, the charge should maintain an engagement incentive for consumers although the strength of this incentive could be reduced in cases where the cap is set at a lower level. At the lower end of the range there is a risk that the reduced incentive for consumers to engage could result in an increase in the number of warrants.

1.86. For suppliers that currently charge more than the level of the cap it would provide a significant incentive to manage the cost of the process and any efficiencies gained by suppliers would result in a decrease in socialisation of costs. At present there is limited incentive for suppliers to control the cost of the warrant process apart from the risk associated with debt on PPMs.

1.87. The reduction in charges as a result of the cap should increase the incentive for suppliers to avoid warrants where possible which we believe outweighs the consumer disincentive described above. We assume that the majority of costs which are not recovered from consumers in the warrant process are socialised across all consumers by increasing tariffs which may ultimately reduce the competitiveness of the supplier.

1.88. For suppliers which currently charge nothing for PPM installations under warrant or suppliers which currently charge less than the level of the cap, there is a risk that the cap could be seen as an acceptable level of charging to apply prompting them to increase the charges they levy.

**Analysis of option 4: Prohibition plus Proportionality**

*Direct savings of options relative to the baseline*

1.89. The direct reduction in charges as a result of this policy set is £1.9m which results in a £1.0m reduction in recovery of charges. In addition, the prohibition on installation of PPMs under warrant could result in savings of up to £0.8m for the most vulnerable consumers. This all results from the prohibition as the impact of the proportionality principle has not been quantified. As highlighted in options 1 and 2, the key sources of uncertainty is the proportion of consumers with vulnerabilities.

**Direct savings impact (£m)**

Charges applied (change from 'do nothing')	0.0 (-1.9) plus unknown impact from proportionality
Charges applied to consumers in vulnerable situations (change)	0.0 (-1.9) plus unknown
Costs recovered (change)	0.0 (-1.0) plus unknown
Costs recovered from consumers in vulnerable situations (change)	0.0 (-1.0) plus unknown
Direct savings to vulnerable consumers protected from PPM installation	0-0.8
<b>Direct savings of policy option</b>	<b>1.0-1.8 plus unknown</b>
Key risk: Proportion of relevant vulnerable situations is unknown and could be higher or lower than the estimate used here	
Key risk: We have limited data to assess the number of cases where proportionality principle would impact	

*Benefits as measured against target outcomes*

Option number	Outcomes		Fair and appropriate outcomes	Protection for Vulnerable
	Policy Title	Warrant avoided where possible		
4	Prohibition + Proportionality	Proportionality of action should ensure that every opportunity is given to avoid warrant and prohibition strengthens incentive to avoid warrants for those with relevant vulnerabilities	Improved fairness for vulnerable and proportionality should tackle some inconsistency and some, but not all cases of high charges.	Prohibition provides protection for consumers in relevant vulnerable situations. Proportionality provides some protections for vulnerable consumers not protected by prohibition.

*Regulatory and Administration Burden*

1.90. The prohibition relies on suppliers maintaining a record of consumer vulnerability as described previously and could result in increased administrative costs. There is also the potential increase in debt recovery costs due to the prohibition of pursuing a warrant for consumers in relevant vulnerable situations. The proportionality principle is not expected to result in a significant administrative cost to suppliers.

*Effects on consumer and supplier incentives*

1.91. The issues with incentives as identified for options 1 and 2 would still apply. The combination of proportionality with prohibition would mean that the incentive for suppliers to avoid warrants is stronger than for prohibition alone.

**Analysis of option 5: Prohibition plus Cap***Direct savings of options relative to the baseline*

1.92. The direct saving impacts of a cap set at £50, £100, £150 and £200, assuming no other changes in supplier application of charges, are presented in the table below. The prohibition of action and charging to consumers in relevant vulnerable situations is unchanged across all three levels of cap and therefore the impact for consumers in vulnerable situations is unchanged.

1.93. In reality, there may be cases where a relevant consumer vulnerability which would qualify for exemption from charges is hidden or not picked up by the supplier. In these cases a lower cap would result in a lower level of detriment to the vulnerable consumer.

**Direct savings impact, assuming no changes to supplier application of charges (£m)**

Level of cap	£50	£100	£150	£200
Charges applied (change from 'do nothing')	7.6 (-22.0)	13.2 (-16.5)	17.1 (-12.6)	20.5 (-9.2)
Charges applied to consumers in vulnerable situations (change)	0.0 (-1.9)	0.0 (-1.9)	0.0 (-1.9)	0.0 (-1.9)
Costs recovered (change)	4.4 <b>(-12.0)</b>	7.5 <b>(-8.9)</b>	9.6 <b>(-6.9)</b>	11.3 <b>(-5.1)</b>
Costs recovered from consumers in vulnerable situations (change)	0.0 (-1.0)	0.0 (-1.0)	0.0 (-1.0)	0.0 (-1.0)
Savings to vulnerable consumers protected from PPM installation	<b>0-0.8</b>	<b>0-0.8</b>	<b>0-0.8</b>	<b>0-0.8</b>
<b>Direct savings of policy option</b>	<b>12.0-12.8</b>	<b>8.9-9.7</b>	<b>6.9-7.7</b>	<b>5.1-5.9</b>
Key risk: Proportion of relevant vulnerable situations is unknown and could be higher or lower than the estimate used here				

1.94. As with the cap alone there is a risk in this policy approach that the cap might be viewed as a recommended charge as opposed to an upper bound. This could result in an increase of charges applied by suppliers which currently charge less than the cap. It could also result in suppliers not waiving any charges for consumers who do not qualify under the prohibition policy. The direct savings impacts of the cap under these assumptions are decreased but the prohibition policy ensures that those consumers with relevant vulnerabilities are protected from increased charges.

**Direct savings impact, assuming charges increase up to the cap (£m)**

Level of cap	£50	£100	£150	£200
Charges applied (change from 'do nothing')	10.1 (-20.0)	17.3 (-12.8)	21.5 (-8.6)	25.9 (-4.2)
Charges applied to consumers in vulnerable situations (change)	0.0 (-1.9)	0.0 (-1.9)	0.0 (-1.9)	0.0 (-1.9)
Costs recovered (change)	5.8 <b>(-10.8)</b>	9.9 <b>(-6.7)</b>	12.1 <b>(-4.5)</b>	14.5 <b>(-2.1)</b>
Costs recovered from consumers in vulnerable situations (change)	0.0 (-1.0)	0.0 (-1.0)	0.0 (-1.0)	0.0 (-1.0)

Direct savings through prohibition of warrant PPM installations	-0.8	-0.8	-0.8	-0.8
<b>Direct savings of policy option</b>	<b>10.8-11.6</b>	<b>6.7-7.5</b>	<b>4.5-5.3</b>	<b>2.1-2.9</b>
<b>Key risk: Proportion of relevant vulnerable situations is unknown and could be higher or lower than the estimate used here</b>				

1.95. In this case of a cap combined with prohibition, the choice of the level of the cap is a balance between on the one hand need to keep the likely socialisation of cost to acceptable levels and maintain consumer engagement and on the other hand, incentivising suppliers to avoid warrants and find efficiencies, increasing consistency and protecting consumers from high charges.

*Benefits as measured against target outcomes*

Option number	Outcomes			
	Policy Title	Warrant avoided where possible	Fair and appropriate outcomes	Protection for Vulnerable
5	Prohibition + Cap	Prohibition and cap combine to significantly strengthen incentive to avoid warrants as recovery of costs is limited. Suppliers would need to implement process to ensure this	Improved fairness for vulnerable and cap would improve consistency and transparency of charges and mitigate cases of high charges for non-vulnerable. Cap does mean that a portion of costs for "won't pay" consumers are socialised	Prohibition provides protection for consumers in relevant vulnerable situations. Cap provides protections for vulnerable consumers not protected by prohibition.

*Regulatory and Administration Burden*

1.96. As with the cap alone, it is not anticipated that the administration of a cap will add costs to suppliers.

1.97. As with the prohibition alone, the assessment of consumer vulnerability could add cost to some suppliers and will overall result in an increased administrative cost. There is also the potential increase in debt recovery cost due to the prohibition of pursuing a warrant for certain consumers in vulnerable situations. We do not have sufficient data to make a quantitative assessment of this impact.

*Effects on consumer and supplier incentives*

1.98. The issues with incentives as identified for options 1 and 3 would still apply. The combination of prohibition and cap would combine to increase the incentive for suppliers to avoid warrant to a greater extent than for prohibition or a cap acting alone.

1.99. Since all consumers would be protected from high charges there is a risk that consumer engagement could decrease. The risk is greater for a combination of a cap and prohibition compared to the risk under a cap alone as the prohibition policy is targeted at consumers who, given their circumstances, are less likely to engage.

**Analysis of option 6: Prohibition plus Proportionality and Cap**

*Direct savings of options relative to the baseline*

1.100. The direct savings of this option are the same as option 5 with additional unknown impact from the proportionality principle. The impact of the proportionality principle in this case would be less than in options 2 or 4 due to the fact that the cap removes high charges.

1.101. The proportionality principle would have an impact by requiring suppliers to consider the amount of debt when pursuing a warrant. This could slow the warrant process in cases of low debt levels. The proportionality principle, acting over the entire debt recovery process, would mitigate against the “waterbed effect” where suppliers would move costs from the warrant process to earlier stages in the debt path. It would also mitigate against the “ceiling effect” where suppliers who had previously waived charges for some consumers might charge up to the level of the cap; and the risk of suppliers charging up to the cap where a warrant application is made, but not executed.

*Benefits as measured against target outcomes*

Option number	Outcomes		Warrant avoided where possible	Fair and appropriate outcomes	Protection for Vulnerable
	Policy Title				
6	Prohibition + Proportionality + Cap		Proportionality of action should ensure that every opportunity is given to avoid warrant and prohibition and cap both strengthen incentive to avoid warrants	Improved fairness for vulnerable. Cap and proportionality would improve consistency and transparency of charges and mitigate cases of high charges for non-vulnerable. Cap does mean that a portion of costs for "won't pay" consumers are likely socialised	Prohibition provides protection for consumers in relevant vulnerable situations. Cap and Proportionality provide protections for vulnerable consumers not protected by prohibition.

*Regulatory and Administration Burden*

1.102. The regulatory and administrative cost is as for a combination of options 1,2,and 3. The prohibition could result in some increase in administrative costs.

*Effects on consumer and supplier incentives*

1.103. The issues with incentives as identified for options 1, 2 and 3 would still apply. The combination of all three policies would provide a strong change to supplier incentives to better engage and avoid warrants where possible. The impact of proportionality in this case would be to moderate supplier actions and charges in the pre-warrant and early warrant (application) stages which could give more opportunity for consumers to engage with debt and avoid warrant.

## Conclusions and preferred option

1.104. The preferred option is **option 6**: Prohibition of installation of PPMs and warrant charges for certain consumers in vulnerable situations, a cap on warrant charges set at £150 and a proportionality principle which applies to application of the warrant process and all charges for all consumers in the debt recovery path.

### *Prohibition*

1.105. The prohibition is considered necessary to ensure the protection of consumers in vulnerable situations and contributes towards improved fairness of warrant charging and an overall increase in the incentives for suppliers to avoid the warrant process if possible.

1.106. The prohibition targets specific subsets of vulnerable consumers and with the data that we have available it is difficult to make an accurate assessment of impact on charges applied but our estimate is that the prohibition policy will reduce charges applied by around £1.9m and reduce the costs ultimately recovered by around £1.0m. In addition, we estimate that the prohibition on PPM installations under warrant could result in additional savings to consumers by around £0.8m. The prohibition hence leads to direct savings to consumers of £1.8m.

1.107. Note that we do not have data to estimate the regulatory and administrative cost associated with this policy but we assume that it is small given the number of already in place requirements to identify consumer vulnerabilities. The potential cost is particularly small compared to the benefit to consumers in vulnerable situations.

### *Cap*

1.108. We propose to set the level of the cap at £150 covering both fuels to ensure protection for all consumers especially those in vulnerable situations that are not included under the prohibition of charges. The cap will improve consistency and transparency of charges and mitigate against cases of high charges.

1.109. The cap set at this level will ensure that the majority of suppliers are incentivised to avoid using the warrant process if possible and to approach the warrant process with a view to efficiency (including dual fuel efficiencies) and minimising cost. This level further ensures that socialisation of costs is kept at an acceptable level, particularly in terms of costs caused by “won’t pay” customers that could eventually harm “can’t pay” customer through higher bills. In addition, setting the cap at £150 maintains an engagement incentive for consumers.

1.110. The cap and prohibition will result in a reduction of charges applied of between £8.6m-12.6m which is around a third of the charges currently applied. Suppliers currently only recover around 38% of the costs of the warrant process and these policies will decrease that cost recovery still further and will result in some additional socialisation of costs across the wider consumer base. We have estimated this at between £4.5-7.7m and we consider this level of socialisation to be reasonable considering the potential consumer detriment caused by high charges and the inherently vulnerable situation of consumers in debt.

*Debt principle of proportionality*

- 1.111. We include a proportionality principle, aimed at ensuring proportionate action and cost in the whole debt path alongside the cap and the prohibition proposals. We consider the proportionality principle necessary to complement the cap and prohibition to avoid leakage of charges from the warrant process to the pre-warrant stage, to provide protection against cases where suppliers who had previously waived charges might charge up to the level of the cap and to mitigate against the risk of suppliers charging the cap even though the warrant was not executed.
- 1.112. Given limited availability of data we have not attempted to quantify the impact of the proportionality principle throughout the document.

**Summary: Direct savings (cost to suppliers) of policy option 6**

Cap at £150 + prohibition of charges for the most vulnerable	£4.5-6.9m
Prohibition on PPM installation under warrant for the most vulnerable	£0-0.8m
Proportionality principle	unknown
<b>Direct savings (cost to suppliers) of policy option 6</b>	<b>£4.5-7.7m</b>

**Quantification of changes in consumer incentives**

- 1.113. Without the threat of charging for a warrant (prohibition), with the warrant charge capped, or with the installation of a PPM prohibited, the incentive for consumers to pay their energy debt could decrease. If consumer engagement weakens as a result of the policy this could lead to an indirect (knock-on) cost to suppliers which could manifest through different channels.
- **Cost of additional warrant activities.** Reduced consumer incentives could result in customers staying longer on the debt path than absent the policy with the consequence of more customers going through the warrant process and additional resources being used to support this process. With warrant charges being capped and prohibited for a subset of consumers in vulnerable situations, this would result in an additional cost to suppliers and consumers.
  - **Cost associated with additional debt.** Reduced consumer incentives could result in customers accumulating additional levels of debt. Additional debt may either be resolved through a repayment plan or end up on a PPM. While the additional debt leaves suppliers with a cost of collecting and financing the debt it also increases the risk of bad debt, i.e. debt that cannot be recovered.
  - **Prohibiting installation of PPMs for a subset of vulnerable consumers.** There could be a cost associated with an increase in customers avoiding the installation of a PPM as the policy would prohibit such action if the customer would suffer from a severe vulnerability.
- 1.114. There is uncertainty to what extent the policy would change consumer incentives. As mentioned earlier, we have found very little data to demonstrate or quantify the strength of the incentive for consumers to engage as a result of warrant charges.

1.115. Given the limited information we hold on actual consumer behaviour estimates are based on a number of assumptions. Where we don't have data to inform our assumptions we have applied a range of possible values (scenarios) to illustrate the possible scale of the impact.

*Cost of additional warrant activities*

1.116. Supplier practice varies, but the issuance of a pre-warrant letter, a pre-warrant visit or a debt collection phone call typically marks the moment the customer is first informed of the charges involved in the warrant process (the "warrant information stage"). Responses to the RFI issued in May 2016 suggest that in 2015 suppliers informed a total of approximately 1.2m customer accounts about the warrant process.

1.117. Starting from the warrant information stage, we apply different scenarios (0%, 1% and 2%) of diminished consumer engagement to the currently observed (status quo) reductions in customer numbers in the debt and warrant process. For example, we estimate that a hypothetical 2% decrease in consumer engagement throughout the debt path could lead to an increase in PPMs installed under warrant by around 10,000; i.e. a rise of around 10% with respect to 2015 levels.<sup>18</sup> As we made clear that we would not expect the policy to increase warrant activity, the following should be understood as an illustrative projection of the magnitude of costs involved if the policy would in fact reduce consumer engagement and result in more customers going through the warrant process.

**Cost of additional warrant activities, cap at £150 (£m)**

Reduction in customer engagement	0%	1%	2%
Cost to consumers	0	1.0	2.0
Cost to suppliers	0	1.0	2.0

*The cost items in the table above should not be added together. The cost to suppliers is either £1m (1%) or £2m (2%).*

*Cost associated with additional debt*

1.118. There are several cost components associated with the additional debt including a cost of creating write-offs (i.e. debt will not be recovered and is treated as a loss, *bad debt*), debt collection costs (making phone calls, sending out letters, visiting the customer's premise) and debt financing costs (cost of either borrowing funds to cover the delay in payment from consumers or the opportunity cost of the debt).

1.119. We follow the same approach of consumer disengagement (0%, 1% and 2%) and estimate that the additional level of debt induced by the policy could range between £0-1.7m.<sup>19</sup> From the RFI we note that around 45% of PPM debt is

<sup>18</sup> Note that any percentages applied are purely illustrative in absence of any information provided by suppliers.

<sup>19</sup> The Energy UK Safety Net specifies that suppliers should spend on average (median) (a) 27 days between informing the customer about the warrant process and applying for a warrant and

ultimately not repaid by customers. This would suggest additional bad debt of £0-0.7m.

1.120. Suppliers have debt management resources and equipment in place to deal with the collection of outstanding revenues. It is questionable if a small addition in debt would require the deployment of additional resources and so significantly alter the cost of debt collection. Yet we apply a 5% debt collection cost to the outstanding revenues. To estimate the cost of debt financing we apply a 5% cost of capital.

#### Cost associated with additional debt (£m)

Reduction in customer engagement	0%	1%	2%
Additional debt	0	0.8	1.7
Cost of bad debt	0	0.4	0.7
Cost of debt collection	0	0.05	0.1
Cost of financing debt	0	0.05	0.1
Cost to suppliers	0	0.5	0.9

#### *Prohibiting installation of PPMs for a subset of vulnerable consumers*

1.121. We follow the same approach of consumer disengagement (0%, 1% and 2%) which we estimate could result in an increase in PPM installations under warrant of up to 10,000 per year. Again, we assume that 0-10% of the proportion of vulnerable consumers at the warrant execution stage as identified by suppliers may qualify under the prohibition, i.e. for these consumers the installation of a PPM itself may be severely traumatic due to their relevant vulnerability. If suppliers were prohibited from collecting their outstanding revenues this could lead to a situation where bad debt increases by an estimated £0-0.1m.

#### Cost of prohibiting installation of PPMs for a subset of vulnerable consumers

Reduction in customer engagement	0%	1%	2%
Increase in accounts of most vulnerable consumers that would qualify under the prohibition	0	72	146
Cost to suppliers (£m)	0	0.0	0.1

#### *Conclusion on changing consumer incentives*

1.122. In response to concerns raised by suppliers, we undertook scenario analyses to estimate the potential scope of the indirect (knock-on) cost to suppliers if consumer incentives were to change post implementation of the policy. We find that there could be an indirect cost to suppliers between £0-3.0m.

(b) 40 days between applying for a warrant and executing a warrant. In 2015 the annual household dual fuel bill was £1,165 or £583 per fuel. This implies a daily household cost of £1.60 per fuel. The additional debt is estimated by multiplying the number of days, the daily fuel cost (single fuel) and the number of disengaged customers at each stage of the debt path.

**Summary: Cost to suppliers from changing consumer incentives (£m)**

Reduction in customer engagement	0%	1%	2%
Cost of additional warrant activities, cap at £150	0.0	1.0	2.0
Cost associated with additional debt	0.0	0.5	0.9
Cost of prohibiting installation of PPMs	0.0	0.0	0.1
<b>Total cost to suppliers</b>	<b>0.0</b>	<b>1.5</b>	<b>3.0</b>

1.123. The assessment is based on the assumption that consumer incentives would in fact change if charges were capped and prohibited or suppliers were denied to install PPMs under warrant for certain vulnerable consumers. We consider this rather unlikely.

- First, the direct cost of the proposed policy should provide suppliers with an increased incentive to engage effectively (and more proactively) with consumers and avoid the warrant process where possible. In particular, suppliers would be incentivised to identify consumers in vulnerable situations early on in the debt process and provide them with suitable debt repayment solutions.
- Second, consumers still face warrant charges of £150 which should continue to serve as a strong incentive to engage.
- Third, we have found very little evidence to demonstrate or quantify the strength of the incentive for consumers to engage as a result of warrant charges. It is particularly difficult to distinguish between the incentive provided by the warrant charges, the PPM installation itself and supplier engagement efforts when analysing the reduction in customer numbers through the debt and warrant process.
- Finally, the PPM price cap had the effect that PPM prices for most suppliers came down. As profitability on PPMs diminishes this should serve as an incentive for suppliers to favour approaches to debt recovery other than PPMs with overall warrant activity coming down.

1.124. We therefore consider the risk of the policy to result in some indirect (knock-on) costs to suppliers as a result of changing consumer incentives as low with likely no or only an insignificant additional cost to suppliers. In fact, even in the unlikely event that consumer engagement weakens we believe that the policy creates much stronger counteracting incentives on suppliers that would facilitate better engagement between suppliers and consumers. Therefore, the indirect cost estimates provided in this section are neither added to the direct cost estimate (4.5-7.7m) nor to the calculations of the EANDCB.

**Competition impacts***Consumer competition impacts*

1.125. Any reduction in charges applied to consumers will result in a reduction in debt repayment levels and periods, and an improved ability for consumers to switch

supplier. A reduction in high warrant charges applied to PPMs could result in a decrease in the number of consumers with debts over £500 who are unable to switch supplier under the Debt Assignment Protocol.<sup>20</sup> This pro-competitive effect could however be limited due to large amounts of debt (well above £500) customers often hold when reaching the stage of PPM installation for debt, i.e. these high levels of debt would not qualify to switch under the DAP.

1.126. Any reduction in charges applied to consumers in the warrant process would reduce the proportion of warrant costs which suppliers ultimately recover. As described previously, the proportion of recovery of costs is already low (38%) and we assume that the unrecovered costs are already socialised across the wider consumer base. Suppliers will either absorb costs, affecting profit margins, or seek to socialise the cost by increasing tariffs and affecting competitiveness. The consumers likely to bear the cost of this socialisation are those on the least competitive tariff types such as Standard Variable Tariffs.

#### *Supplier competition impacts*

1.127. Generally, suppliers fall into two groups:

- Large suppliers with a relatively high level of warrant activity and charges at a relatively moderate level;
- Small and medium suppliers with low levels of warrant activity and either no warrant charges or particularly high warrant charges.

1.128. Large suppliers show high levels of warrant activity and therefore bear a large share of the estimated cost of the policy. This is partly due to large suppliers having a higher proportion of customers in debt (5%) compared to small and medium sized suppliers (2%).<sup>21</sup> If the estimated cost to suppliers is weighted by market share, we find that the cost impact per 1,000 customer accounts is less for the average of the large six suppliers than for the average of small and medium sized suppliers. In addition, we find that for the large six suppliers the estimated cost impact would represent less than 1% of their annual total operating cost. We therefore consider it unlikely that the policy would result in large suppliers experiencing a significant competitive disadvantage.

1.129. Among small and medium sized suppliers there are some which apply particularly high warrant charges. For many this is mitigated by lower levels of warrant activity compared to large suppliers so the impact socialised across the wider consumer base is not significantly higher. However, there are some suppliers which apply particularly high warrant charges to a relatively large proportion of their customer base. For these the policy could result in a competitive disadvantage. Yet as we observe other small and medium sized suppliers applying significantly lower charges, we consider it, in line with our policy objectives, reasonable to assume

<sup>20</sup> The gas and electricity supply licences require an outgoing supplier to facilitate the transfer of a debt of up to £500 per fuel when a PPM customer seeks to switch to a new supplier. When a customer switches, they take their debt with them and repay it to their chosen supplier.

<sup>21</sup> SOR 2015 annual report. Customers in debt include customers in arrears and customers repaying debt. Figures represent an average between gas and electricity accounts.

that these suppliers could achieve warrant related efficiencies and apply a more balanced approach to debt recovery.

1.130. The prohibition has a higher impact for those suppliers with a high proportion of consumers in vulnerable situations identified in the warrant process.<sup>22</sup>

### Distribution impacts

1.131. These policies are specifically targeted at redistributing some of the cost of the warrant process from consumers in the process to the wider consumer base. Our analysis of current practice shows that there is already a significant level of socialisation with only 38% of warrant costs faced by suppliers in 2015 expected to be ultimately recovered from consumers in the warrant process.

1.132. In reality the socialisation is not applied to all customers but typically results in increased costs in less competitive market segments. We therefore restrict estimation of cost socialisation to the less competitive segment of standard variable tariffs (SVTs). We further exclude PPM tariffs as an area of cost socialisation taking into account the limited headroom to pass on costs in presence of the PPM price cap.

1.133. We provide estimates of cost socialisation as the monetary impact on an average annual dual fuel consumer bill<sup>23</sup> for the direct cost of the policy (£4.5-7.7m). We provide an average across all suppliers as well as a lower (min) and upper (max) bound within the supplier spectrum.

#### Cost socialisation: Impact on an annual dual fuel consumer bill<sup>24</sup> (£)

	Average	Min	Max
Direct cost	0.28 - 0.48	0 - 0.06	1.87 - 2.99

1.134. The policy reduces costs for consumers in the warrant process while potentially resulting in a small increase in costs for consumers in vulnerable situations outside the warrant process. However, the relatively small number of consumers in the warrant process and the large numbers of overall consumers ensures that the increased cost for consumers outside the warrant process is relatively small.

1.135. The prohibition is particularly targeted at consumers in vulnerable situations with specific restrictions in the wording of the draft licence condition to target a subset of vulnerable situations relevant to the warrant process. The reduction of cost for these consumers forms a large part of the overall benefit of the proposed policy package.

<sup>22</sup> Data provided through the May 2016 RFI does not provide a clear correlation between the size of the supplier and the proportion of consumers in vulnerable situations identified in the customer base.

<sup>23</sup> £1,165 in 2015

<sup>24</sup> We assume a 100% pass-through rate and no realisation of efficiencies. If we were to deviate from these assumptions estimates would decrease.

## Section 5A Declaration

- 1.136. An impact assessment is a tool to help to explain the impacts of regulatory proposals on consumers, industry participants and wider society. It allows the costs of proposals to be balanced against the benefits of action.
- 1.137. For Ofgem, there is a distinction to be made between Impact Assessments that are required by Statute (these are “important” within the meaning of Section 5A of the Utilities Act 2000) and those that are provided for information. Our approach to determining what is “important” within the meaning of section 5A is set out in our Impact Assessment Guidance. This includes, for example, significant impacts on consumers or on people involved in the supply of gas and electricity in Great Britain.
- 1.138. We have decided that this is **not** a Section 5A Impact Assessment because the proposals do not involve a major change in the activities carried out by Ofgem and they do not have a significant impact on Great Britain. However, on this particular occasion, we have decided that it would still be appropriate to produce an impact assessment.