

Moritz Weber
Consumer Vulnerability Strategy
Ofgem
9 Millbank
London
SW1P 3GE

29 August 2017

Dear Moritz,

PREPAYMENT METERS INSTALLED UNDER WARRANT – STATUTORY CONSULTATION

Thank you for the opportunity to respond to the statutory consultation on Prepayment Meters Installed Under Warrant, which seeks views on Ofgem's revised proposals and draft licence conditions to protect domestic consumers in the process of having prepayment meters (PPMs) force-fitted under warrant for debt recovery purposes.

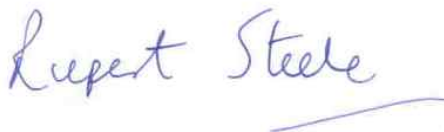
ScottishPower is supportive of the objective of these proposals and recognises the need to provide support and protection for all vulnerable customers, and especially those in the debt recovery process.

In relation to the licence drafting, we note that Ofgem has added the following text to SLC28B.1 '*or otherwise a statutory power which would give rise to the grounds for obtaining a Relevant Warrant*'. For the reasons set out in Annex 1, we are concerned that the proposed new text will have unintended consequences for suppliers and may be disproportionate, and we would be grateful if Ofgem would reconsider this addition.

More generally, as set out in Annex 1, we believe that it will be important for Ofgem to take a proportionate approach to assessing compliance with these new conditions. Ofgem should recognise the challenges that suppliers may sometimes face in identifying relevant vulnerabilities in advance, and set an expectation that, where vulnerabilities are identified after the warrant process has been initiated, suppliers will take appropriate action in mitigation.

If you have any questions on our response, please do not hesitate to contact me or Pamela Smith (pamela.smith@scottishpower.com).

Yours sincerely,



Rupert Steele
Director of Regulation

PREPAYMENT METERS INSTALLED UNDER WARRANT – STATUTORY CONSULTATION – SCOTTISHPOWER RESPONSE

1. Proposed licence drafting

We think the proposed licence drafting of SLC28B.1 may have consequences beyond the policy intent. Ofgem has added the words to SLC28B.1 '*or otherwise a statutory power which would give rise to the grounds for obtaining a Relevant Warrant*'. The effect of this addition appears to be to extend the prohibition to cases where a prepayment meter installation (or in the case of gas, a meter exchange¹) is being carried out with the customer's consent and without the need to exercise a warrant.

Ofgem says (para 2.22) that this addition is intended to cover 'instances where a supplier is relying on their statutory powers to force fit a PPM, but seeks the customer's consent to enter the premises and install the meter'. We are unclear what 'relying on statutory powers to force fit a PPM' (emphasis added) means in this context, as the new licence text appears to capture all installations by consent. We would note that:

- a) Extending the prohibition in this way will substantially increase the compliance burden on suppliers. Instead of introducing processes to check for relevant vulnerabilities ahead of exercising a warrant, suppliers will need to introduce processes ahead of every PPM installation and gas meter exchange.² And as well as training staff involved in warrant exercise to recognise signs of relevant vulnerabilities (to cater for situations where the vulnerability is not identified in advance), suppliers may need to extend the scope of training to potentially the entire field force involved in meter installation.
- b) The risks to vulnerable consumers associated with installation by consent would appear to be far less than for installation under warrant. Ofgem refers (para 2.9) to examples provided by consumer groups where consumers found the experience of having a meter installed under warrant severely traumatic, but provides no examples of where meter installation by consent was severely traumatic. Indeed, it seems unlikely that if the customer has given their consent, they will find the process of meter installation (as opposed to forced entry to the premises) severely traumatic.

In light of the above, we are concerned that the proposed new text will have unintended consequences for suppliers, and may be disproportionate. As the proposed new text was added at the statutory consultation stage without supporting evidence to justify its inclusion, we would be grateful if Ofgem reconsider this proposal.

2. Other comments

Approach to enforcement

As previously noted, we believe it will be important for Ofgem to take a proportionate approach to assessing compliance with these new conditions. Ofgem should recognise

¹ A Relevant Warrant is defined as being pursuant to para 23(2)(c) of Schedule 2B to the Gas Act 1986. Para 23(2)(c) refers to exercise of powers conferred by paras 3(5) or 7(3)(a) of the schedule, which relate respectively to meter exchange and installation of prepayment meters.

² In 2016 less than half our PPM installations were done under warrant. We would expect the proportion of statutory gas meter exchanges done under warrant to be very small.

the challenges that suppliers may sometimes face in identifying relevant vulnerabilities in advance, and set an expectation that, where vulnerabilities are identified after the warrant process has been initiated, suppliers will take appropriate action in mitigation. In particular:

- a) We share Ofgem's concern that failures to identify vulnerability during the warrant application and execution process may result in some vulnerable consumers being severely traumatised, and we have processes in place which seek to identify such customers so that we do not proceed to warrant application. However, where vulnerabilities under SLC 28B.1 are identified after the warrant process is initiated, we consider it would be appropriate to immediately suspend the process and to ensure that no associated costs are passed to the customer. We would then seek to engage with the customer and with appropriate third parties, to find alternative ways to address the debt situation or find ways of proceeding with the warrant process that avoid exposing the customer to the harm specified in the prohibition.
- b) Similarly, in relation to SLC 28B.2, it can be difficult to distinguish customers who are unable to engage from those who won't engage, and to identify the severity of any financial vulnerability. In situations where we apply the warrant execution costs to a customer's account and subsequently identify a relevant vulnerability, we consider it would be appropriate mitigation for us then to reverse all associated charges.

Cap on warrant charges

We agree that the proposed cap on warrant charges should protect vulnerable customers from the risk of excessive charges being levied. However, we note that the proposed cap is set at a level 30% below the minimum indicative cost of applying for and executing a warrant. Whilst we recognise that setting the cap at this level may drive through some process efficiencies, it is likely that some of the difference will be passed on to the wider customer base, including some vulnerable customers who pay their bills on time. Also, while Ofgem has concluded that this policy itself is unlikely to place large suppliers at a significant competitive disadvantage, we would note that large suppliers are likely to be proportionately more exposed to this issue and that the cumulative effect of this and other small competitive disadvantages created through regulation may become significant.

Proportionality principle for debt recovery

We agree with the revised proportionality principle for debt recovery and are pleased that Ofgem has acknowledged our comments in relation to Transfer Objections and excluded them from the scope.

Market monitoring

We note the importance of market monitoring both from a regulator and supplier perspective and agree with the monitoring approach as outlined in the consultation.

Sunset clause

We agree with the inclusion of a 'sunset clause' meaning that these rules will cease to apply at the expected end-date for smart meter rollout of 31 December 2020.