

Prepayment meters installed under warrant – statutory consultation

Ofgem consultation

A Response by Utility Warehouse

This document sets out the views of Utility Warehouse regarding the Ofgem consultation ‘*Prepayment meters installed under warrant – statutory consultation*’ published by Ofgem on 03 July 2017.

Telecom Plus, which owns and operates the Utility Warehouse brand, is the UK’s only fully integrated provider of a wide range of competitively priced utility services spanning both the Communications and Energy markets. We were one of the first independent suppliers to enter the domestic energy market (in 2002) following deregulation, and currently supply energy to approaching 600,000 households.

Our customers benefit from the convenience of a single monthly statement, consistently good value across all their utilities and exceptional levels of customer service. Telecom Plus does not advertise, relying instead on ‘word of mouth’ recommendation by existing satisfied customers and distributors in order to grow its market share.

We take our responsibilities as an energy provider very seriously and make every effort to ensure we provide these essential services to our customers with the utmost integrity; the customer is at the heart of our business model and the way in which we operate. Customer value is the cornerstone of the success we have had and continue to achieve.

We reiterate our support of the policy intent to protect vulnerable customers, and confirm we already apply a series of checks (which are built into our existing debt collection path) that seek to ascertain, where possible, if any vulnerability exists, either with the customer who owes us money or another member of their household.

Below we provide our comments on each of the Ofgem proposals contained within the statutory consultation.

**A prohibition on suppliers using warrants in certain exceptional cases**

The intended effect of this prohibition is that customers do not suffer the trauma of the force-fitting of a prepayment meter experience, which they might otherwise endure due to their mental capacity and/or psychological state.

We are supportive of this prohibition.

**A prohibition on suppliers levying warrant-related costs in certain other cases**

The intended effect of this prohibition is that customers who were impaired from engaging with their supplier during the debt recovery process due to a vulnerability are not unfairly charged; and that customers who are already in severe financial difficulty will not have this situation exacerbated by facing additional warrant-related costs.

We are supportive of this prohibition.

## **Capping the amount that suppliers can levy for warrant-related costs in all other cases where a warrant is used to force-fit a PPM to £150 on a 'per customer' basis**

We strongly disagree with this proposal.

Ultimately, we are talking about a group of customers who have chosen to create significant costs for their supplier. In many (if not most) cases they will fall into the category of seeking to avoid paying for the energy they have used, rather than being unable to do so. At any stage in the process, they could have engaged with their supplier and either agreed a payment plan to settle their arrears (with interest-free instalments spread over an extended period), or co-operated in allowing a prepayment meter to be installed on a voluntary basis; either of these would have obviated the need for the warrant to be obtained.

In these circumstances, we believe the fairest approach is that the additional costs should be borne by the people who have created them, rather than being socialised across a supplier's entire customer base and borne by everyone else through higher tariffs than would otherwise be necessary – which of course would include many vulnerable customers.

We do not see how this could serve the best interests of vulnerable consumers or indeed the general consumer, and believe would result in the vast majority of customers being treated unfairly, exerting further upward pressure on SVT prices.

Ofgem have stated that the cap is designed to incentivise suppliers to try alternative debt recovery methods and only use warrants as a last resort. As previously mentioned, this is already the case for ourselves, and we suspect will be so for most other suppliers too, with numerous attempts having been made to engage with the customer through billing, reminders, letters, phone calls and visits to their property over a lengthy timeframe.

Ofgem acknowledge in the consultation that by setting a proposed cap at £150 (per customer and not per warrant), the recoverable amount would be below the indicative cost of warrant application and execution for a single fuel customer (Ofgem quote £210 for the lower end of what may be cost reflective).

We believe this proposal is flawed not only because it is knowingly being set below cost, but also because a single fuel cap calculation is being applied to a dual fuel customer, making it even less cost reflective.

And whilst we acknowledge that the proposed cap of £150 is at the higher end of your September 2016 proposals, the conclusion that it will enable suppliers to recover a significant proportion of their costs is factually incorrect in the case of any dual fuel customer.

We believe Ofgem should take the full range of associated costs and regional cost variations into consideration when assessing what a cost reflective cap might look like. Indeed, if this proposal is taken forward in its current guise, small and medium challenger suppliers would be penalised through a lack of economies of scale thus facing even more detriment compared with the traditional Big 6.

Therefore, if Ofgem are to set an industry cap, we believe that logically it should: (a) be set at a cost reflective level; (b) be applied per fuel type (rather than at a customer level); and (c) not apply where the costs have been incurred as a result of the wilful action or inaction of the customer.

Like many suppliers, we have trialled and will continue to examine innovative and creative ways in which to enhance engagement with customers in debt that focus not only on repayment terms but also more holistically on the provision of debt awareness. Ofgem

however, state in the statutory consultation that they believe the implementation of the cap will incentivise suppliers to utilise alternative debt recovery methods due to the lower cost recovery; it would be helpful to ourselves and industry in general if Ofgem were to set out what they believe such alternatives to be when considering existing debt collection paths within the industry.

**Introducing a proportionality principle, covering costs and actions of suppliers, for all customers in the debt recovery process**

Ofgem state that the intended effect of this measure is to ensure that suppliers take actions and levy charges that are proportionate in all cases where they seek to recover debt from consumers.

In line with the move towards principals based regulation, we are pleased to see Ofgem using this approach as an effective way to drive improved customer service across a broad range of actions.

We are supportive of this proportionality principle.