

Consultation

Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing

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We are consulting on proposals to improve outcomes for consumers who experience self-disconnection and self-rationing. We are concerned about the number of customers self-disconnecting each year and the significant negative impacts this can have on customers, particularly those in vulnerable circumstances. Strengthening protections for consumers in this area is one of the key priorities of our Draft Consumer Vulnerability Strategy 2025. We want to hear from anyone interested in this consultation.

This document outlines the scope, purpose, questions of the consultation, and how you can get involved. Included in the document are our proposed draft supply licence conditions which we are also seeking views on. Once the consultation is closed, we will consider all responses. Subject to stakeholder responses, we expect to issue a statutory consultation in autumn 2019.

We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at Ofgem.gov.uk/consultations. If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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Contents

1. Introduction	4
What are we consulting on?	4
Context and related publications	5
Consultation stages	6
How to respond	6
Your response, data and confidentiality	7
General feedback	8
How to track the progress of the consultation	8
2. Why we need to act	9
Key findings: self-disconnection and self-rationing review	9
Customers self-disconnect and self-ration for multiple reasons	9
Temporary and ongoing self-disconnection and self-rationing: an assessment framework	13
Existing protections	15
Policy objective and consumer outcomes	17
3. Proposals to improve identification of self-disconnection and self-rationing	19
Why monitoring and early identification is important	19
Existing protections	19
Key findings: self-disconnection and self-rationing review	20
Policy proposals	22
Sharing good practice	24
How we will monitor suppliers' performance in this area	24
4. Proposals to reduce level and impact of temporary self-disconnection and self-rationing	25
Proposal to formalise emergency and friendly credit provision	25
Proposal to formalise discretionary credit provision	29
5. Proposals to reduce level and impact of ongoing self-disconnection and self-rationing	33
Customers in ongoing financial difficulties	33
Proposal to incorporate 'Ability to Pay' principles in the supply licence	34
Work with government to protect customers in financial difficulty	36
Promote good practice across industry	37
Appendices	39
Appendix 1 – Working draft licence conditions: Self-disconnection and Self-rationing	40
Appendix 2 – Privacy notice on consultations	43

1. Introduction

What are we consulting on?

1.1. This consultation sets out our key findings following the prepayment self-disconnection and self-rationing review as well as our proposed way forward. We are concerned about the number of customers self-disconnecting each year and the significant negative impacts this can have on customers, particularly those in vulnerable circumstances. Our overarching policy objective is to reduce the number of customers self-disconnecting and self-rationing each year and to reduce the detriment caused by self-disconnection and self-rationing. We want to see this reduction across the market.

1.2. In November 2018, we launched a Call for Evidence to gain a better understanding of scale of the problem, customer impacts, and current supplier practices.¹ Following this, we received 20 confidential and non-confidential Call for Evidence responses and held three stakeholder workshops in London, Glasgow and Cardiff.² During early 2019, we also conducted a supplier Request for Information (RFI) from nineteen gas and electricity suppliers who serve the majority of the prepayment meter market.

1.3. We have also been closely engaging with government on ongoing programmes of work such as the government's Fuel Poverty Strategy consultation³ and Breathing Space proposals⁴, both of which include a focus on energy consumers in financial difficulties who in turn may be at risk of self-disconnection and self-rationing.

1.1. We are now consulting on our policy proposals to improve outcomes for consumers who self-disconnect and self-ration. We want to improve industry identification of self-disconnection and self-rationing so that customers in vulnerable circumstances are quickly identified and provided with the support needed. We are proposing to introduce a new requirement on suppliers to identify customers who are self-disconnecting and self-rationing and provide appropriate support. Through regular monitoring and subsequent identification, suppliers should be able to take the most appropriate approach to support their customers, whether this is through short-term or long-term support. We welcome your views on these policy proposals and associated proposed licence conditions, discussed in further detail in Section 3 and Appendix 1 of this consultation.

1.2. We are also proposing to protect those who experience self-disconnection because of a temporary situation, for example those who experience a sudden change in circumstances, by proposing to formalise emergency, friendly and discretionary credit offering by suppliers. We welcome your views on these policy proposals and associated proposed licence conditions, discussed in further detail in Section 4 and Appendix 1 of this consultation.

1.3. In addition, for customers in ongoing financial difficulty or those who are repaying debt, we are proposing to incorporate the Ability to Pay principles⁵ within the supply licence condition and to update these to put further emphasis on current protections. This is intended

¹ Ofgem (2018) [Self-disconnection and self-rationing: a call for evidence](#)

² See Ofgem (2019) [Self-disconnection and self-rationing: a call for evidence - non-confidential responses](#)

³ BEIS (2019) [Fuel poverty strategy for England](#)

⁴ HMT (2019) [Breathing Space scheme: response to policy proposal](#)

⁵ Ofgem (2010) [Debt Review report: key Principles for taking ability to pay into account](#)

to support both prepayment meter and credit customers in financial difficulties who are at risk of self-disconnecting and/or self-rationing. We welcome your views on this policy proposal, discussed in further detail in Section 5 of this consultation.

1.4. We note that there is currently no obligation on regulated companies which prohibits gas and electricity disconnections on all meter types, except in certain circumstances and for particular customer groups.⁶ Disconnection due to debt should only be considered as a very last resort by suppliers and disconnections due to debt are now very infrequent.⁷ At this stage, we are not proposing to introduce a prohibition on all disconnections, similar to one in the water sector, but we will consider this as one option in the future should this be required. As part of our way forward, we will continue to monitor trends in disconnections across the market, as well as focus on promoting good practice and work with government where needed to improve outcomes for consumers who are self-disconnecting and self-rationing.

1.5. We believe that smart meters are redefining the current prepayment meter experience. We have had calls from stakeholders to prioritise smart meters into households that currently have prepayment meters and are at risk of self-disconnection.⁸ We are monitoring suppliers' progress in delivering smart prepay, including their progress in driving the development of a SMETS2 prepayment solution, and are clear that we expect them to be exploring where plans can be brought forward so that prepayment customers can benefit from the opportunities smart meters offer.

1.6. We have decided not to carry out a formal impact assessment for the purposes of section 5A of the Utilities Act 2000. We have reached this view primarily because our proposals are based on the spirit of the existing voluntary requirements and existing minimum standards, as further discussed in this consultation. We also consider that there is a need to act quickly to ensure that there are consistent protections for customers who are self-disconnecting and self-rationing. We nevertheless gave cost implications some consideration, not least to inform our assessment of the extent to which our proposals are proportionate to deliver the intended policy objective. Therefore, while there will be a positive impact on consumers through strengthening protections for customers who are self-disconnecting and self-rationing or are at risk of doing so, we do not consider that implementation of our proposals would result in a significant cost for industry participants overall.

Context and related publications

1.7. In June 2019, we published our updated draft Consumer Vulnerability Strategy 2025 which sets out our priorities to help protect gas and electricity consumers in vulnerable situations until 2025.⁹ One of the key priorities for the first year of the Strategy is to strengthen protections for consumers who are self-disconnecting and self-rationing, particularly those who are in a vulnerable circumstance.

1.8. A closely linked outcome we want to see in the market is ensuring consumers in payment difficulty are proactively supported, including by being put on an affordable payment

⁶ Suppliers are prohibited by their licence from knowingly disconnecting during winter consumers that are of a pensionable age, or solely live with people that are of a pensionable age or under 18. Additionally, they must take all reasonable steps during winter to avoid disconnecting those that are disabled or chronically sick.

⁷ Ofgem (2018) [Vulnerable Consumers in the energy market: 2018](#)

⁸ See for example Ofgem (2019) [NEA quest blog: Vulnerable energy consumers can't be ghosts in the machine](#)

⁹ Ofgem (2019) [Draft Consumer Vulnerability Strategy 2025](#)

plan. We said we would consider as a key priority giving added prominence to the Ability to Pay principles in our rulebook to emphasise the need for targeted support to consumers facing payment difficulty. This includes customers on prepayment meters who may be at risk of self-disconnection and self-rationing as well as customers on credit meters who may be self-rationing their energy use.

1.9. From initial stakeholder responses to the draft Strategy, we are pleased to see significant support and interest in this area. Stakeholders agree that work on self-disconnection and self-rationing should be a priority area of focus. Also, the proposal to incorporate the Ability to Pay principles into the licence was welcomed and is considered an important part of consumer protection.

Consultation stages

1.10. This policy consultation will be open for 4 weeks until 20 September 2019. The views and responses provided by stakeholders will help to determine our next steps, including whether any changes to our proposed policy positions are warranted. Subject to the responses we receive, we intend to publish a statutory consultation in autumn 2019, and to issue our decision in early 2020.

How to respond

1.11. We want to hear from anyone interested in this consultation. Please send your response to the person or team named on this document's front page.

1.12. We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can. We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

1.13. Consultation questions:

Questions:

Question 1: Do you agree with our proposal to require suppliers to identify prepayment self-disconnection and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

Question 2: Do you agree with our proposal to require suppliers to identify self-rationing and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

Question 3a: Do you agree with our proposal to require suppliers to offer emergency and friendly credit functions for all customers? **Question 3b:** Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

Question 4a: Do you agree with our proposal to require suppliers to offer discretionary credit for customers in vulnerable circumstances? **Question 4b:** Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

Question 5: Do you agree with our proposal to incorporate the Ability to Pay principles in the supply licence?

Question 6: Do you agree with our proposal to update the Ability to Pay principles to reflect changes in supplier debt recovery practices? Are there other changes that we should implement?

Your response, data and confidentiality

1.14. You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

1.15. If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

1.16. If the information you give in your response contains personal data under the General Data Protection Regulation 2016/379 (GDPR) and domestic legislation on data protection, the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 2.

1.17. If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

1.18. We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

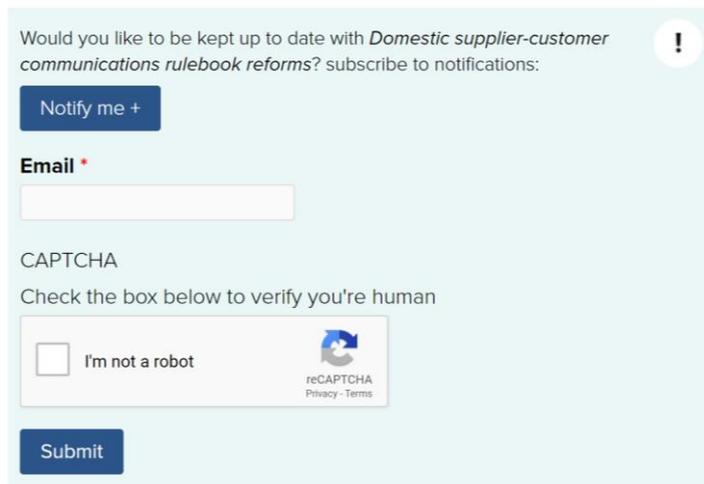
Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website.

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2. Why we need to act

Section summary

In this section, we set out the need to address the issue of self-disconnection and self-rationing by summarising the key findings of our review, existing customer protections and setting out our assessment framework. This section builds on the extensive evidence received as part of the Call for Evidence responses, workshop participation, and supplier Request for Information.

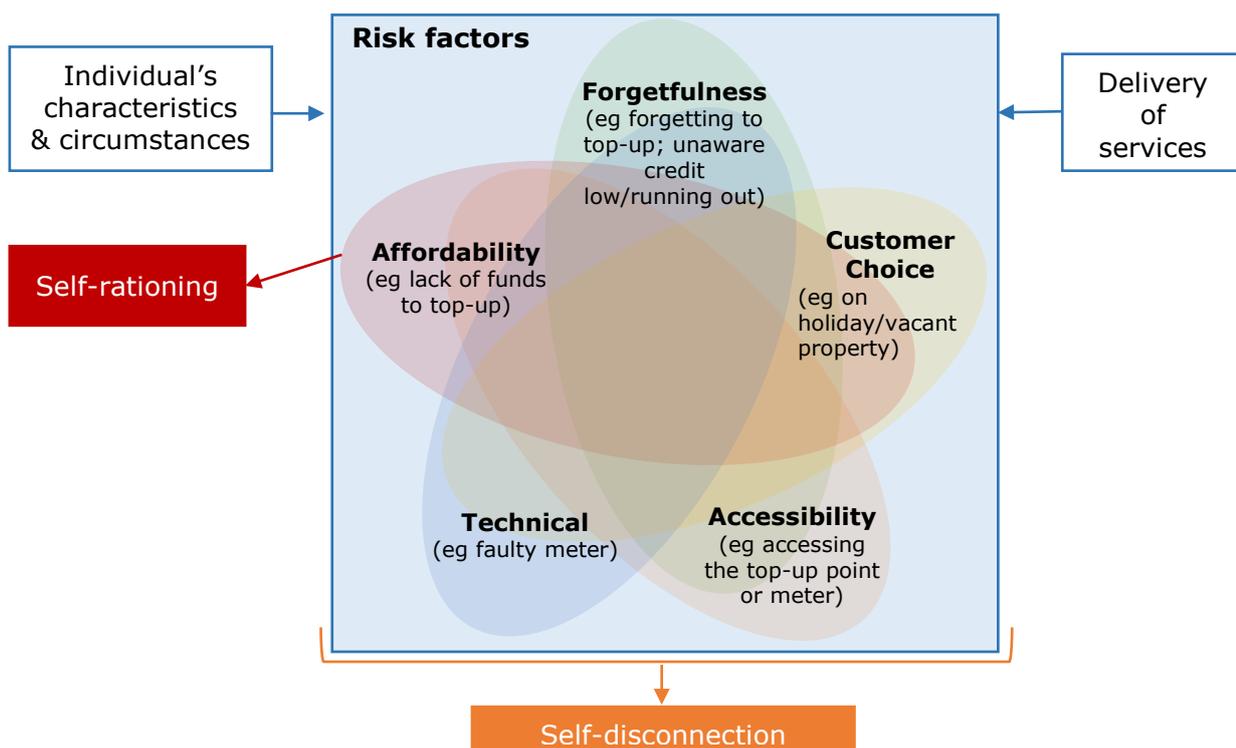
Key findings: self-disconnection and self-rationing review

Customers self-disconnect and self-ration for multiple reasons

2.1. Self-disconnection occurs when prepayment meter customers experience an interruption to their gas and/or electricity supply because the credit on the meter has been exhausted or the credit is not easily accessible. Even though the term 'self-disconnection' can imply a voluntary choice the customer makes, this is not always the case. We will be using the term 'self-disconnection' throughout the consultation, while noting the complexities of the situation.

2.2. Self-disconnection can happen for a number of reasons. We have categorised these into five non-mutually exclusive risk factors: affordability, forgetfulness, accessibility, technical, and customer choice (see Figure 1). We have seen that an inability to top-up and stay on supply can relate both to customers' characteristics or circumstances as well as to a supplier's delivery of its services.

Figure 1. Risk factors for self-disconnection and self-rationing



2.3. Forgetting to top-up or being unaware that the credit is running low appears to be one of the most common risk factors, with a 2018 Citizens Advice survey showing 58% of households who self-disconnected in 2017 cited forgetfulness as a reason.¹⁰ Accessibility issues also lead to self-disconnection, with the same survey data showing 26% of households that self-disconnected cited issues with accessing the physical top-up point and 4% cited physical problems with accessing the meter.

2.4. Self-disconnecting due to a lack of funds is another key reason why customers may self-disconnect, with Citizens Advice data showing 21% of households surveyed self-disconnecting for affordability reasons. It is particularly concerning that 88% of these households contained a child or someone with a long term health condition, with 50% reporting mental health issues.

2.5. In addition, there are technical risk factors. Prepayment meters can occasionally break and cards or keys can be lost or are not provided by suppliers (see Case Study 1). Citizens Advice data found that 15% of households who self-disconnected in 2017 cited technical problems with the meter and 9% cited they had lost the card or key. Evidence from the RFI shows that some suppliers charge for replacement cards or keys, with others only charging for repeated requests. These charges are then applied to the meter and customer has to repay cost of replacements as part of their top-ups. When repayment rates are not in line with individual's customer ability to pay, it may cause customers who have insufficient funds to potentially self-disconnect again.

Case Study 1 – Extra Help Unit (EHU) – Technical issues

The consumer had diabetes and a 5-year-old child living in the household. He had recently switched supplier but had not received payment devices. He had been unable to get through to the supplier by phone and was off supply for both gas and electricity. He had been referred to the EHU on 28 December 2018. The gas had gone off the day before and the electricity had gone off that morning. The supplier contacted the consumer and added credit to the meters. New payment cards were requested and a link was emailed to the consumer to enable him to top up online.

2.6. In their Call for Evidence responses, suppliers noted that customer choice should be included as one of the reasons why customers self-disconnect. While we are seeing evidence that supply will be interrupted when a property is vacant such as in a holiday or second home, it is important to stress that this can have impacts in the long-run, for example, as standing charges build up. At the same time, the evidence on the scale of self-disconnection as a result of customer choice is very limited. Consumer survey data doesn't capture vacant properties and supplier data on reasons why customers self-disconnect is rarely being recorded. Only one supplier provided us with limited data which showed that 2% of the potential self-disconnections identified and recorded were in vacant properties.

2.7. Stakeholders particularly highlighted in their responses the interlinking nature of self-disconnection, where multiple risk factors can combine to create a single case of self-disconnection. An example of this can be seen with seasonal self-disconnections, where

¹⁰ Citizens Advice (2018) [Switched On – Improving support for prepayment consumers who've self-disconnected](#)

customers do not top-up their gas prepayment meter because they prioritise spending in other areas. When these customers next top-up, they have to pay the accumulated standing charges. For customers on a low income or going through a temporary financial crisis, the build up of standing charges over the summer period can lead to self-disconnection in the winter, which in turn can have significant physical and mental health impacts.

2.8. Closely linked to self-disconnection is self-rationing of energy. This refers to customers deliberately limiting their energy use to spend money in other essential areas (eg food). Self-rationing can also refer to restricting spending in other essential areas in order to pay for energy. Self-rationing can eventually lead to self-disconnection or it can be used as a coping strategy to avoid self-disconnection. Customers who are self-rationing are more likely to do so for affordability reasons.

There are significant number of customers self-disconnecting and self-rationing each year

Scale of self-disconnection

2.9. In our Call for Evidence, we highlighted that existing consumer survey data gives us an insight into the scale of self-disconnection. Our 2018 Consumer Engagement Survey found that one in ten of those with a prepayment meter temporarily disconnected from their energy supply in the previous year, which equates to 350,000 gas and 450,000 electricity customers self-disconnecting per year.¹¹ Similarly, consumer survey data from Citizens Advice's 2018 report estimates that 16% of traditional prepayment meter customers are running out of credit on their meter each year.¹² This figure hasn't changed since Citizens Advice first gathered this data in 2014.¹³

2.10. To build on this evidence, we asked suppliers for data on the number of customers who are self-disconnecting each year. While monitoring of self-disconnection remains limited and in most cases uses non-vending as a proxy for self-disconnection, supplier data shows similar and, in some cases, higher incidence of self-disconnection cases.

2.11. Traditional prepayment meters still make up the majority of prepayment meters that customers currently use, although we are seeing an increase in the installation of smart meters in prepayment mode. Evidence from six suppliers of differing sizes who provided data on the number of potential self-disconnections for traditional prepayment meter customers by fuel type, shows that 12% of their traditional gas prepayment meter accounts and 8% of traditional electricity prepayment meter accounts may have self-disconnected in 2018. This accounts for around 270,000 gas customers and 230,000 electricity customers on traditional meters. Generally, this number has increased since 2016. However, given this data sample is from six suppliers and doesn't capture the whole prepayment meter market, we believe this number to be higher and more in line with the consumer survey data discussed above.

¹¹ Based on 556 responses on the question "How often, over the last year, would you say that you have been temporarily disconnected from your (gas / electric) supply because the meter ran out of credit before you topped it up?" Total survey of 4,064 interviews. See Ofgem (2018) [Consumer Engagement Survey](#)

¹² Citizens Advice (2018) [Switched On – Improving support for prepayment consumers who've self-disconnected](#)

¹³ Citizens Advice began collecting data on the number of customers who self-disconnect in 2014. See Citizens Advice (2014) [Topping-up or dropping out self-disconnection among prepayment users](#)

2.12. In addition, evidence from one supplier that used real time identification for when a prepayment meter customer runs out of credit, showed much higher incidence of customers self-disconnecting, suggesting that smart data can provide better insights into the scale of the problem.

2.13. Overall, the evidence shows self-disconnection is more prevalent among gas prepayment customers. This is to be expected as gas is most commonly used for heating and customers are more likely to disconnect their gas supply, particularly during summer months, compared to their electricity supply, as discussed above.

Scale of self-rationing

2.14. Multiple responses to our Call for Evidence highlighted that self-rationing is a more widespread problem than self-disconnection. It affects customers both on prepayment and credit meters, but appears to be more prevalent for prepayment meter customers.

2.15. Christians Against Poverty (CAP) data from 2014 found that 59% of CAP clients in financial difficulty who are prepayment meter customers were restricting their energy usage.¹⁴ An update to this report in 2017 found that 55% of clients who are prepayment meter customers were restricting energy usage compared to 37% of non-prepayment meter users. The research also found that out of those prepayment meter customers limiting their energy usage, 30% of these are severely self-rationing by restricting their consumption to just a few hours a day, or a few days per month.¹⁵ CAP acknowledge that while it can be difficult to determine what level of consumption constitutes rationing there is a clear pattern of increased rationing amongst prepayment meter customers.

2.16. Recent fuel poverty research from the Department for Business, Energy and Industrial Strategy (BEIS), examining the difference between theoretical energy consumption and actual energy consumption for English dwellings, came to similar conclusions as the CAP research. BEIS's report found that fuel poor households on prepayment meters have a consumption gap of £340 compared to £301 for fuel poor households on other payment methods. For non-fuel poor households on prepayment meters, the consumption gap was £149 compared with £98 for non-fuel poor households on other payment methods.¹⁶ The report also found that lower income households are much more likely to restrict consumption.

2.17. Supplier responses to our Call for Evidence highlighted the difficulties that suppliers face in identifying and monitoring self-rationing. As part of the RFI, suppliers did not provide any data on the scale of self-rationing.

Data limitations

2.18. We acknowledge that each of the sources on the scale of self-disconnection has certain limitations and that data on self-rationing is still limited. Consumer surveys may have weaknesses due to their sample size or selection bias and are unlikely to include the disconnections due to vacant homes. At the same time, supplier non-vend data will not

¹⁴ Christians Against Poverty (2014) [The Poor Pay More](#)

¹⁵ Christians Against Poverty (2017) [The Poor Pay More Winter 2016/17 progress update](#)

¹⁶ Department for Business, Energy & Industrial Strategy (2019) [Comparison of theoretical energy consumption with actual usage](#)

account for disconnections for less than the period set by suppliers and are unlikely to identify cases where customers are forgetting to top-up.

2.19. The difficulties of commenting on the scale of the self-disconnection and self-rationing were discussed at the stakeholder workshops where consumer groups noted the lack of available evidence. We want industry to make substantial improvements in this area. We further discuss our findings and policy proposals to improve supplier identification of self-disconnection and self-rationing in Section 3 of this consultation.

Customers face significant negative physical and emotional impacts

2.20. The negative impacts of self-disconnection and self-rationing are well documented. Throughout our evidence gathering stage, stakeholders highlighted the significant physical and emotional impacts that self-disconnection and self-rationing can have on customers, with higher detriment experienced by those who are self-disconnecting or self-rationing regularly or for longer periods.

2.21. Citizens Advice research found that half of those who self-disconnected cited negative impacts on their physical and emotional wellbeing.¹⁷ The main physical impact of feeling cold was experienced by 59% of all those reporting a negative impact. This was closely followed by having a dark home and not being able to wash.

2.22. Similarly, the NEA outlines in its response that the principal impact of self-disconnection is living in a cold home, which can have significant health impacts particularly for children, teenagers and older people. This is more likely to be prevalent among customers who experience gas self-disconnection. The NEA also highlighted the negative consequences that a lack of ability to make hot meals can have on both mental and physical health. Multiple stakeholders cited the impact of having cold, damp homes leading to condensation and mould which in turn can lead to health issues such as asthma and pneumonia or worsen existing health conditions such as arthritis.

2.23. In addition to physical impacts, customers have also cited negative emotional impacts. Citizens Advice research found that the main emotional impact was financial stress, experienced by 27% of all those reporting a negative impact, which was closely followed by stress from the practicalities of topping up and feelings of shame and embarrassment.¹⁸ Through their engagement with frontline workers, the NEA have identified that one of the most common fuel poverty coping strategies includes not inviting friends or family into the home which can lead to social isolation and impact or exacerbate mental health issues.¹⁹

Temporary and ongoing self-disconnection and self-rationing: an assessment framework

2.24. While customers may self-disconnect for a number of reasons as discussed above, the severity of the self-disconnection can vary with the length and frequency that the self-disconnection occurs. For the purposes of this work, we further differentiate between self-

¹⁷ Citizens Advice (2018) [Switched On – Improving support for prepayment consumers who've self-disconnected](#)

¹⁸ Ibid.

¹⁹ NEA (2018) [Top 10 Coping Strategies](#)

disconnection as a result of short-term situations and self-disconnection as a result of ongoing situations. We believe that those experiencing self-disconnection on an ongoing basis will require a different type of support than those who self-disconnect as a one-off.

2.25. Our 2018 Consumer Engagement Survey shows that of those consumers that reported having been disconnected from their electricity supply in the last year, the majority reported being disconnected for less than 3 hours.²⁰ However, 16% said they did not manage to top up and reconnect within three hours, which includes self-disconnection periods over 12 and 24 hours. The figure for gas was slightly higher at 22%. These findings suggest that around 72,000 electricity consumers and 77,000 gas consumers self-disconnected for more than three hours last year.

Self-disconnection and self-rationing arising from a temporary situation

2.26. Looking at the risk factors of self-disconnection identified above, forgetting to top-up the meter can be as result of both short-term and ongoing situations. The evidence gathered shows that customers experiencing a change in circumstance such as bereavements, those with a busy lifestyle or who live in shared accommodation are likely to experience short-term self-disconnection.

2.27. Similarly, responses to our Call for Evidence highlighted short-term affordability issues of temporary financial hardship, unpredictable incomes and a build-up of standing charge debt as risk factors for temporary self-disconnection and self-rationing. Customers who have recently switched to Universal Credit and are waiting to receive their first payment, those on unpredictable zero hours contracts, and those who have experienced prolonged hospital stays were given as examples of these.

2.28. Stakeholders expressed the difficulties faced by some customers with temporary disabilities in accessing the meter. Respondents noted that customers not being aware of how a prepayment meter functions or not being able to understand and/or use prepayment meter functionalities increases the risk of self-disconnection. This can apply in the short term for customers who move into a property where a prepayment meter is installed and who are unfamiliar with prepayment functionalities.

2.29. Stakeholders highlighted multiple technical issues which can result in short term self-disconnection. Prepayment meters can occasionally break and cards or keys can be lost or may not be provided by suppliers. Respondents also highlighted that credit balances being refunded rather than transferred when customers switch from credit to prepayment meter and when smart prepayment meter customers switch supplier can lead to a customer self-disconnecting.

Self-disconnection and self-rationing arising from an ongoing situation

2.30. While forgetting to top-up is often associated with busy lifestyles, some customers may forget to top-up as a result of an ongoing situation such as a mental health issue or a lack of mental capacity (such as people with dementia). These customers are likely to self-disconnect more frequently.

²⁰ Ofgem (2018) [Consumer Engagement Survey 2018](#)

2.31. Similarly, customers facing affordability challenges as they are repaying debt through their prepayment meter, customers with debts in other areas, as well as customers reliant on electric heating are likely to be at an increased and ongoing risk of self-disconnection and self-rationing over a longer period of time. In addition, customers who self-disconnect from their gas supply on a seasonal basis are more likely to do so because of an ongoing affordability issue.

2.32. Ongoing accessibility issues can also lead to frequent or prolonged self-disconnections. For example, customers whose first language is not English may have difficulties in understanding or using prepayment meter functionalities on an ongoing basis. Stakeholders also highlighted some rural customers may face ongoing accessibility issues in physically accessing top-up points or not having access to digital top-up methods due to connectivity issues, which in turn increases the risk of self-disconnection.

Existing protections

2.33. There are existing supplier obligations which we expect to reduce the number of customers self-disconnecting and self-rationing. In addition, third parties and industry have developed principles and guidance regarding self-disconnection and self-rationing that a significant number of suppliers have voluntarily agreed to follow.

Customers have the necessary information and infrastructure to stay on supply

2.34. Suppliers must provide prepayment meter customers with, amongst other things, the information and infrastructure required to (i) access prepayment meter credit, (ii) top up meters and (iii) stay on supply at all times (SLC 28).²¹ Prior to or upon installation of a prepayment meter, suppliers must, amongst other things, inform customers about (i) the operation of a prepayment meter, (ii) who to contact in the event of a meter or top-up device fault and (iii) the procedures for removing or resetting the prepayment meter. This ensures that a customer has the necessary information to remain on supply when they have the choice to do so. We expect this to remove the risk of customers self-disconnecting for example when they move into a new property with a prepayment meter and may not be aware of prepayment meter functionalities.

2.35. Suppliers also have an obligation to encourage and enable engagement with customers (SLC 31F).²² This condition came into force in February 2019 and requires suppliers to provide information so that each consumer can understand the key features of their tariff and make informed choices on when and how much energy they consume. We expect this to remove the risk of customers self-disconnecting in situations where they do not have sufficient information about standing charges and the potential build-up of these charges during periods where energy is not used. Evidence shows that this is mainly a seasonal issue where customers do not top up their gas meters during summer and they accrue standing charges which leads to self-disconnection when they next top-up in winter.

2.36. We have seen examples of good practice in the market where suppliers have introduced summer awareness campaigns to encourage customers to top-up at a minimum to

²¹ Ofgem (2019) [Standard conditions of electricity supply licence](#)

²² Ofgem (2018) [Domestic supplier-customer communications rulebook reforms](#)

cover standing charges, further discussed in Section 3 of this consultation. However, these examples remain limited and we encourage other suppliers to consider this type of initiative.

2.37. Suppliers can only install a prepayment meter for debt where it is safe and reasonably practicable to do so (SLC 27.6)²³. We expect this to remove the risk of customers self-disconnecting because they are unable to access the vending points and/or meter due to a physical disability. If suppliers become aware that the prepayment meter is no longer safe and reasonably practicable, they must offer the customer ways to remedy the issue (SLC 28.1A).²⁴ This could involve altering the position of a prepayment meter or providing another payment method to ensure that a customer stays on supply.

2.38. We updated our guidance on the interpretation of “safe and reasonably practicable” in March 2016 to ensure consumers are protected in a smart prepayment market.²⁵ Smart meter customers who are remotely switched from credit to prepayment mode are also protected by these obligations, which should reduce the risk of these customers experiencing self-disconnection. A number of suppliers provided us with case studies of applying the safe and reasonably practicable checks as they moved customers away from prepayment meters after customers had self-disconnected. We remind all suppliers of their obligations in this space.

2.39. Under the Guaranteed Standards of Performance suppliers are required to repair or replace a faulty prepayment meter within three hours, or within four hours on a bank holiday.²⁶ This should remove the risk and impact of customers self-disconnecting due to faulty meters.

Repayment plans taking into account ability to pay

2.40. If a prepayment meter is installed for debt, when agreeing the duration and value of a repayment plan, suppliers must take into account each individual customer’s ability to pay (SLC 27.8). We expect suppliers to adhere to ‘Ability to Pay’ principles.²⁷ As part of the Ability to Pay principles, we expect suppliers to proactively monitor payment arrangements after they have been set up to check whether a prepayment meter is being used initially and on an ongoing basis and to monitor failed arrangements. This should help identify customers who are at risk of self-rationing and/or self-disconnection and identify trends. We expect that this would reduce instances of customers self-disconnecting for affordability reasons when repaying a debt.

2.41. We are concerned however based on our evidence, that some suppliers are not sufficiently taking into account the Ability to Pay principles, and we discuss our proposals in this area in Section 5 of this consultation.

²³ Ofgem (2019) [Standard conditions of electricity supply licence](#)

²⁴ Ofgem (2019) [Standard conditions of electricity supply licence](#)

²⁵ Ofgem (2016) [Smart prepayment for a smarter market: our decisions](#)

²⁶ The Gas and Electricity Markets Authority (2015) [The Electricity and Gas \(Standards of Performance\) \(Suppliers\) Regulations 2015](#)

²⁷ Ofgem (2010) [Debt Review report: key Principles for taking ability to pay into account](#)

Credit provided to get back on supply

2.42. Suppliers offer emergency, friendly and discretionary credit to prepayment meter customers as a short-term solution to get customers back on supply. Emergency and friendly credit provide support to all customers whereas discretionary credit is tailored for customers in vulnerable situations who need extra support in the short-term.

2.43. At present, these provisions are voluntary practices in the market. They are a key part of the Energy UK Prepayment Meter Principles, which the majority of suppliers who cover the prepayment meter market have signed up to.²⁸ The provision of discretionary credit has particularly been highlighted as good practice when customers are unable to top-up.²⁹ We discuss our proposals in this area in Section 4 of this consultation.

We are concerned about the lack of consistency and gaps in protection

2.44. The evidence shows that customers are still experiencing self-disconnection in certain situations, which suggests that existing protections are not applied consistently or they are not sufficient to protect consumers.

2.45. We are concerned by the lack of consistency across suppliers when supporting customers who are self-disconnecting or self-rationing, which was evident from our Call for Evidence responses and information submitted by suppliers. In their response, Citizens Advice highlighted that the EHU are finding significant variation in the levels of support offered by suppliers and that it often takes suppliers a considerable amount of time to develop the support needed for customers who experience self-disconnection. This means they deal with proportionally more cases from smaller or newer suppliers than larger or more established ones.

2.46. The type of support needed by customers who are self-disconnecting as a result of an ongoing situation is likely to be different compared to the support required by those who are experiencing temporary or short term self-disconnection. The following section sets out our proposals to achieve good consumer outcomes for these two groups.

Policy objective and consumer outcomes

2.47. We are concerned about the number of customers self-disconnecting each year and the significant negative impacts this can have on customers, particularly those in vulnerable circumstances. Our overarching policy objective is to reduce the number of customers who are self-disconnecting each year. We also want to reduce the detriment caused by self-disconnection and self-rationing.

2.48. We want gas and electricity customers to experience the following outcomes:

- All customers in vulnerable circumstances who are self-disconnecting or self-rationing are quickly identified and provided with the support needed depending on their circumstance.

²⁸ Energy UK (2016) [PPM Principles](#). As of April 2019, 20 suppliers have signed up to follow these principles and support PPM customers.

²⁹ Citizens Advice (2017) [Good practice guide: holistic support for energy consumers who self-disconnect from their prepayment meter](#)

- Customers who are self-disconnecting and/or self-rationing as a result of a short-term situation are able to quickly get back on supply to limit any physical and/or emotional impacts. Customers in temporary vulnerable circumstances are able to receive appropriate short-term support, and all customers are provided with the necessary information to access short-term support where needed.
- Customers who are self-disconnecting and/or self-rationing because of ongoing vulnerable circumstances are not only able to quickly get back on supply to limit any physical and/or emotional impacts but also receive sustainable support to avoid self-disconnection in the future.

2.49. This means all customers have quick and easy access to short-term support, including appropriate short-term support where needed for customers in temporary vulnerable circumstances. Customers who are experiencing self-disconnection as a result of ongoing vulnerable circumstances are provided with more sustainable support to remove the risk of repeated self-disconnection.

3. Proposals to improve identification of self-disconnection and self-rationing

Section summary

This section looks at ongoing monitoring and identification of self-disconnection and self-rationing. It sets out the existing rules, identified supplier practices and our policy proposals. Better monitoring practices should allow suppliers to identify customers more quickly and provide appropriate support where needed both to those who experience self-disconnection because of a short-term situation and those who experience self-rationing and self-disconnection due to ongoing circumstances.

Questions

Question 1: Do you agree with our proposal to require suppliers to identify prepayment self-disconnection and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

Question 2: Do you agree with our proposal to require suppliers to identify self-rationing and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

Why monitoring and early identification is important

3.1. Regular monitoring of prepayment meter customers' vending patterns, consumption, use of emergency and friendly-hours credit as well as monitoring of debt repayment rates should allow suppliers to identify customers who are at risk of self-disconnection and/or self-rationing. It would also allow suppliers identify certain trends such as number of customers self-disconnecting, frequency and reasons for self-disconnection.

3.2. Through regular monitoring and subsequent identification, suppliers should be able to take the most appropriate approach to supporting customers, whether this is through short-term support or long-term support as further discussed in Sections 4 and 5.

Existing protections

3.3. Suppliers must have regard to Ofgem's guidance on the safety and reasonable practicability of prepayment meters where they offer prepayment meters to customers.³⁰ As part of the current guidance, the proactive steps that we would generally expect suppliers to

³⁰ Ofgem (2016) [Decision to Modify the Safe and Reasonably Practicable Guidance, pursuant to Standard Licence Condition 28.1B of the Electricity Supply Licence and the Gas Supply Licence.](#)

follow after installing a prepayment meter in order to ensure it is safe and reasonably practicable for the customer, include monitoring whether the customer is self-disconnecting.

3.4. For customers repaying debt via a prepayment meter we expect suppliers to take into account the 'Ability to Pay' principles introduced in 2010. These include expectations on suppliers to proactively monitor arrangements after they have been set up to check whether a prepayment meter is being used initially and on an ongoing basis and to monitor failed arrangements. The Energy UK Prepayment Meter Principles include similar voluntary monitoring commitments that a significant number of suppliers have signed up to.

3.5. In addition, suppliers are required to identify customers in vulnerable circumstances and respond to their needs. We expect suppliers' compliance with the Standards of Conduct and vulnerability principle (contained within the supply licence as Standard Licence Condition³¹ (SLC) 0), the Priority Services Register (SLC 26.5) and the Smart Meter Installation Code³² of Practice to help target support for customers in vulnerable situations who are at risk of self-disconnection and self-rationing or those who self-disconnect and self-ration.

Key findings: self-disconnection and self-rationing review

3.6. We are concerned that the existing supplier obligations and guidance around monitoring of self-disconnection are not consistently applied across the market and across all suppliers. Our RFI showed that not all suppliers are currently monitoring self-disconnection and the monitoring of self-rationing is even less established. It also revealed that the utilisation of smart meter data is still at the planning or early stage for a significant number of suppliers.

3.7. Lack of monitoring or limited monitoring means suppliers rely on customer contact to identify whether someone has self-disconnected. This is particularly concerning as consumer data from Citizens Advice has shown that only 9% of customers who self-disconnected contacted their supplier. While contact with the customer is essential to establish a customer's circumstances, current practices show suppliers are not proactive enough in identifying customers who are self-disconnecting.

Monitoring and identifying self-disconnection

3.8. Where monitoring related to self-disconnection takes place, this is usually in the form of monitoring "non-vends", whereby there is no record of the customer transferring credit to a prepayment meter through topping up. Customers who have not vended for a period of time may potentially be off supply. This is particularly a practice undertaken for customers on traditional meters.

3.9. Our RFI showed that the period of time that suppliers use as a non-vend threshold before they investigate the account and get in touch with the customer varies greatly between suppliers, from seven to 111 days, and depends on factors such as fuel type or vulnerability of the customer. The most common time thresholds used by suppliers are approximately between a month and three months of a customer not vending before a

³¹ Ofgem (2019) [Standard conditions of electricity supply licence](#)

³² SMICoP (2019) [Smart Meter Installation Code of Practice](#)

supplier further investigates the account. Some suppliers ensure that customers in vulnerable circumstances, identified via certain Priority Service Register flags or separate vulnerability flags, are contacted sooner than non-vulnerable customers. Due to the seasonal nature of energy consumption, some suppliers also modify the monitoring of non-vends and communication with customers in the warmer months when less heating is used.³³

3.10. Suppliers explained that traditional prepayment meters impose technical constraints on monitoring self-disconnection and their ability to identify customers who have self-disconnected. The time delay between the transaction of top-ups being transferred to the prepayment meter and the supplier receiving this data through industry data flows can prolong the ability to identify customers who have been off supply. A customer's self-disconnection circumstances may have been exacerbated or resolved by the time a supplier becomes aware of the situation. At the same time, some non-vends do not necessarily indicate a customer being off supply if the customer has topped-up high amounts of credit. Suppliers have highlighted that contacting a customer about non-vends too early can lead to customer dissatisfaction and complaints.

3.11. Having appropriate and trialled practices to monitor self-disconnection is crucial in order to identify and provide support to those who need it. The application of longer non-vend thresholds without any further customer segmentation is likely to be more useful for the purpose of identifying vacant properties, potential change of tenancy, meter tampering, or revenue protection rather than identifying customers who are negatively impacted by self-disconnection. In addition, to be able to provide support to those most in need, suppliers also need to be able to identify the circumstances behind non-vends and self-disconnection. This requires a two-way engagement between the customer (or a third party representative) and the supplier.

3.12. We are aware of only one supplier that records some of the reasons for non-vends and self-disconnection and, given the non-vends thresholds used, the supplier is more likely to identify customers not topping-up due to seasonality, rather than financial vulnerability. This supplier found that more than half of the potential self-disconnections identified were due to either seasonal self-disconnections from gas or those mistakenly identified as disconnecting during long periods of non-vend.

3.13. However, identifying non-vends that lead to self-disconnections relies on appropriate monitoring practices being in place in the first instance. Our RFI shows that not all suppliers are monitoring self-disconnection on traditional meters and there are varying monitoring practices across the market with some suppliers taking more proactive approaches as set out above.

3.14. Smart prepayment meters have the capability to provide almost real-time data giving the potential for much improved visibility on self-disconnections. However, our RFI revealed that most suppliers with a significant number of smart prepayment customers tend to approach monitoring in the same way as for traditional prepayment meters, missing the opportunity to harness the potential data available. We are aware of only one supplier monitoring smart self-disconnection in real time via 'off supply alarms'. We know that other suppliers, including those who have a very small number of smart meter customers in prepayment mode, are now putting plans in place to develop monitoring and identification arrangements.

³³ Evidence from Ofgem (2019) Supplier Request for Information

Monitoring and identifying self-rationing

3.15. Self-rationing affects both prepayment meter and credit meter customers and can be used as a method to prevent prepayment meter self-disconnection. Self-rationing was flagged by the majority of suppliers in their RFI and Call for Evidence responses as not being easy to identify and not traditionally monitored.

3.16. We are aware of a small number of suppliers that utilise estimated annual consumption alongside prepayment meter non-vend data to determine if customers have self-disconnected. This approach is also being considered by a small number of suppliers to assess changes in a customer's historic and forecasted vending pattern or energy consumption, which may indicate that self-rationing is taking place.³⁴ While vend data may be held in different systems to consumption data, cross-referencing both could provide valuable insight into identifying self-disconnection and self-rationing and we would like more suppliers to consider this approach.

3.17. Suppliers also highlighted that self-rationing could be confused with improved household energy efficiency, with lower energy consumption indicating a positive change in lifestyle. However, while applying energy efficiency measures would have a direct impact on reducing energy consumption to a certain degree, there may be opportunities to define thresholds of energy consumption that indicate a household is not using enough energy to adequately heat a property or provide a basic level of lifestyle comfort. This will allow suppliers to differentiate between low usage due to energy efficiency and low usage due to deliberate restriction of energy use.

3.18. As suppliers calculate estimated annual consumption and annual quantity values for each customer, it is possible to explore this data and flag where decreases in energy consumption have become apparent, which might indicate self-rationing. Restricting energy use can cause harm to the customer, in particular for customers in vulnerable situations, potentially exacerbating an already challenging situation as highlighted in Section 2 of this consultation.

3.19. Identifying the circumstances behind self-rationing will require two-way engagement between the customer (or a third party representative) and the supplier to fully understand the circumstances and correctly identify self-rationing. Where a customer has been identified as self-rationing, we would expect that suppliers take appropriate steps to identify their circumstances and suitably address their needs.

Policy proposals

Suppliers to identify self-disconnection for prepayment meter customers

3.20. Our findings show that not all suppliers are monitoring and subsequently identifying self-disconnection. This is despite expectations we have set out on suppliers. We are therefore proposing to introduce a requirement on suppliers to take all reasonable steps to identify customers who have self-disconnected and to offer the appropriate support to these customers, be it short-term or long-term support depending on their circumstance.

³⁴ Evidence from Ofgem (2019) Supplier Request for Information

3.21. There are links here with the proposal to incorporate the Ability to Pay principles in the licence discussed in Section 5 of this consultation, which would require suppliers to monitor customer repayment arrangements once they have been set up. We believe these proposals complement each other. Suppliers will have an overall requirement to identify self-disconnection and a narrower requirement to monitor ongoing arrangements for those who are in financial difficulty.

3.22. As seen above, there are a number of ways suppliers can identify traditional meter and smart meter self-disconnections. We are not proposing to prescribe how this should be done, as suppliers will be best placed to develop this, with some having already developed sophisticated monitoring and identification techniques. Instead, we propose to promote the sharing of good practice across the industry as discussed further below. We welcome views on our policy proposal and associated draft licence conditions set out in Appendix 1.

Question 1: Do you agree with our proposal to require suppliers to identify prepayment self-disconnection and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

Suppliers to identify self-rationing for prepayment and credit meter customers

3.23. Our findings show that no supplier is currently actively monitoring self-rationing, although some suppliers are developing new monitoring techniques in this area. We are proposing to require suppliers to take all reasonable steps to identify customers who are in vulnerable situations and are self-rationing. We are proposing for this requirement to apply to both customers on prepayment and credit meters, given self-rationing affects customers paying via all methods.

3.24. Suppliers already have requirements in place to identify customers in vulnerable circumstances and respond to their needs. We are not proposing to prescribe how suppliers should monitor self-rationing as we believe suppliers should develop innovative monitoring approaches, particularly making use of smart metering data as discussed above. We welcome views on this.

3.25. We believe that targeting identification of self-rationing for those customers identified as in a vulnerable circumstance should help protect customers who are most at risk. We welcome views on our policy proposal and associated draft licence conditions set out in Appendix 1.

Question 2: Do you agree with our proposal to require suppliers to identify self-rationing and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

3.26. We believe costs associated with the proposal to identify customers who are self-disconnecting should be minimal for those who already have monitoring and identification arrangements in place. We note that the requirement to obligate suppliers to monitor self-rationing will impose implementation and ongoing costs on industry participants, particularly for those who do not have any current arrangements in place. However, we understand a

number of suppliers are already looking to further develop their monitoring practices since we launched our Call for Evidence.

Sharing good practice

3.27. Although there is inconsistency across suppliers in monitoring and identifying self-disconnection and self-rationing, there are some examples of good practice already being carried out. There are also plans underway for a number of suppliers to implement new policies and practice in relation to self-disconnections and self-rationing in 2019.

3.28. By sharing and publishing best practice via regular reports, such as the Ofgem annual Vulnerable Consumers in the Energy Market report, overall industry standards can be improved in the best interest of the consumer. We encourage suppliers to continue sharing their examples of good practice with the wider industry.

3.29. We are also encouraged by the Energy UK Commission for Customers in Vulnerable Circumstances recommendation that suppliers should develop and share innovative practices to monitor and tackle self-disconnection and to set a sector-wide target to reduce self-disconnection.³⁵

How we will monitor suppliers' performance in this area

3.30. Last year we published a consultation on proposed revisions to Social Obligations Reporting (SOR), including the suggestion of adding a new indicator to gain insight into self-disconnections specific to smart prepayment meters.³⁶ This proposed indicator is the number of smart meter customers who self-disconnected at least once during the reporting period and the number of these for whom the longest period of self-disconnection falls within certain brackets. We also propose that this indicator is collected quarterly, given the impact of seasonality of self-disconnection. We are currently considering responses, including any potential changes to the proposed indicator, and we will shortly publish a decision.

3.31. We believe a new indicator on smart meter self-disconnections is a useful tool to assess the scale of self-disconnection across industry, to ensure regular monitoring and improve consistency across the market when considering self-disconnection data.

3.32. Given the smart meter rollout is underway we are not proposing to introduce additional reporting requirements on suppliers as part of SOR for traditional meters. However, once new obligations on self-disconnection and self-rationing are introduced we will closely monitor compliance with the rules. In addition, we will continue to monitor the scale and reasons for self-disconnection and self-rationing as part of our consumer engagement survey and wider market monitoring.

³⁵ Energy UK (2019) [The Commission for Customers in Vulnerable Circumstances Final Report 2019](#)

³⁶ Ofgem (2018) [Consultation on Revisions to Social Obligations Reporting](#)

4. Proposals to reduce level and impact of temporary self-disconnection and self-rationing

Section summary

This section sets out our proposals to improve outcomes for consumers who self-disconnect because of a short-term situation, by proposing to formalise emergency, friendly and discretionary credit offering.

Questions:

Question 3a: Do you agree with our proposal to require suppliers to offer emergency and friendly credit functions for all prepayment meter customers? **Question 3b:** Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

Question 4a: Do you agree with our proposal to require suppliers to offer discretionary credit for prepayment meter customers in vulnerable circumstances? **Question 4b:** Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

4.1. We want energy consumers to be able to stay on supply or quickly get back on supply when experiencing a temporary situation that leads to self-disconnection. In addition, we want customers in temporary vulnerable circumstances to receive additional appropriate short-term support where needed, and all customers to have the necessary information to use and access the different types of short-term support available.

4.2. This means all customers will have quick and easy access to short-term support which will allow them to stay on supply. We expect this to limit any physical and/or emotional impacts.

Proposal to formalise emergency and friendly credit provision

4.3. At present, the emergency and friendly credit functions are all voluntary practices in the energy market which act as a short-term solution to get prepayment meter customers back on supply.

4.4. The Call for Evidence responses were generally positive about the provision of such services as providing valuable short-term support. However, it was clear from the evidence that this support only acts as an immediate solution and cannot by itself tackle the issues faced by those who are self-disconnecting due to ongoing affordability issues. We believe these functions have a purpose in getting customers back on supply quickly and providing that short-term support to those who are self-disconnecting because of a temporary situation.

4.5. We are pleased that the majority of suppliers are providing these credit functions as an immediate solution to enable customers to stay on supply or get back on supply. However, our evidence shows inconsistencies in the promotion and application of these credit functions. We are concerned that, as a result, some customers may be experiencing more frequent or

prolonged periods of self-disconnection that could otherwise have been avoided. Below, we discuss the features of the credit functions and our proposals to improve this short-term customer protection.

How emergency and friendly credit works

4.6. The emergency credit function is available to a customer as a loan once they have exhausted all credit on their prepayment meter. This prevents the customer from going off supply for a short period, until they are next able to top-up. Similar to emergency credit, the friendly credit function is a short-term solution to prevent disconnection at inconvenient times. Friendly credit is usually activated during certain hours in the evenings, and at weekends and Bank Holidays.

4.7. There are several ways to access emergency and friendly credit based on meter and fuel type. In most scenarios, the customer must take proactive action and needs to know how to access these functions. Evidence from the Call for Evidence shows that customers are not always aware of how to access the credit functions. Supplier evidence shows that most customers are alerted of the emergency credit feature at the start of the registration journey and are able to refer to any user guides provided by the supplier or that are available online. However, the friendly credit feature does not appear to be as widely advertised. A number of suppliers provide guidance at the start of the registration journey similar to emergency credit but we have noted practices where a customer is only informed of the feature through making an inbound phone call.

4.8. Traditional electricity and smart meters have the functionalities built into the meter and the customer is required to activate emergency credit in order to access it. In certain circumstances traditional gas meter customers may require a 'wind-on' to access emergency credit, which involves an engineer visiting the property and resetting the meter manually. Some suppliers have opted to programme meters so that the meter automatically enters a period of emergency credit if the account balance reaches a certain level (eg £1). Smart meters also allow for further interactive alerts, such as audible alerts, when the meter is low on credit.

4.9. We believe it is important that this short-term support is available and easily accessible in the first place. Our data shows that all suppliers offer emergency credit for both smart and traditional meters. However, not all suppliers who responded to the RFI are offering the friendly credit function.³⁷

4.10. We note that due to technical constraints friendly credit is not available on traditional gas meters and on some older electricity meters.³⁸ This means that there is potential for these customers to be left off supply overnight and at weekends where top-up outlets are inaccessible. It is unclear from our findings if suppliers have any alternative arrangements for this subset of customers.

4.11. Data submitted by nine suppliers shows that on average, emergency credit was used 13 times per electricity account in 2018 for a value ranging between £30 to £75 per year. Emergency credit for gas appears to be used less, with RFI data showing this was used 6

³⁷ Evidence from Ofgem (2019) Supplier Request for Information

³⁸ According to our RFI, traditional gas prepayment meters do not provide the friendly credit functionality. It was also reported that some of the older electricity meter types such as KBA and KBB, smartcard and token do not provide friendly credit.

times per account in 2018 for a value ranging between £11 to £26. Overall, the total amount of emergency credit being used by customers is decreasing year on year for both fuel types.

4.12. As self-disconnection is more prevalent among gas prepayment meter customers, we are concerned that some gas customers may be lacking short-term emergency credit support as this appears to be used less. This is in addition to the lack of friendly credit support on traditional gas meters which is technically unavailable.

How emergency and friendly credit is repaid

4.13. After using emergency and friendly credit functions, a customer needs to top-up sufficiently to cover the amount of credit used, any additional charges accrued and their ongoing supply. The customer needs to know how these credit functions work to avoid going off supply when they next top-up. Evidence from the Call for Evidence shows that customers are not always aware that the charges accruing during emergency and friendly credit need to be repaid, which in turn can lead to those customers self-disconnecting after they top-up.

4.14. Both emergency credit and friendly credit charges accrued during the use of these credit functions need to be repaid immediately when a customer is next able to top up, unless alternative repayment methods are arranged with the supplier (e.g. the credit is added to their meter as debt). In addition, any standing charge or pre-existing collection charges, if the customer is repaying a debt, are not collected whilst the emergency and friendly credit functions are in use.

4.15. The value of the emergency credit available varies across suppliers, meter type and fuel, with the range being offered between £5-£20 per fuel.³⁹ There are pros and cons of having access to higher amounts of credit, with higher amounts of emergency credit providing longer protection but potentially leaving customers unable to repay those higher amounts. However, we have seen some examples of good practice when the value of emergency credit is increased in some rural areas in winter to reduce the risk of customers being unable to reach top-up points in periods of extreme weather.

4.16. Our evidence shows that the times available for friendly credit vary across suppliers and smart meters can offer more flexible hours. Some stakeholders commented that inconsistencies across suppliers can create customer confusion. Some suppliers have trialled extending friendly-credit hours to allow customers more time to reach top-up outlets before going off supply. However, this also means more credit to be repaid after the end of the friendly-hours period.

Policy proposal: require suppliers to offer emergency and friendly credit to all prepayment meter customers

4.17. The evidence shows that emergency and friendly credit functions can be very useful in helping customers get back and stay on supply in the short-term. However, there appear to be inconsistencies in how the support is advertised and provided. We are particularly concerned that gas prepayment customers are missing out from this short-term support.

4.18. We are therefore proposing to formalise the provision of emergency and friendly credit. Our proposal is to require suppliers to offer emergency and friendly credit to all prepayment

³⁹ Evidence from Ofgem (2019) Supplier Request for Information

meter customers and ensure customers have the necessary information to understand the facilities, how these can be used and how credit is repaid. Ensuring that the customer is aware of the features can be the first step in preventing an off-supply situation.

4.19. We are proposing that suppliers must offer this support to all prepayment meter customers, unless technical constraints prevent the supplier from offering these facilities. Where it is technically unfeasible to offer emergency and friendly credit, such as is sometimes the case with traditional gas meters, we are proposing that a supplier will be required to offer short-term support via alternative means and in a timely manner when it becomes aware that a customer is self-disconnecting.

4.20. For traditional gas meter customers who do not have emergency credit built in on the meter this would require suppliers to provide emergency credit via a 'wind-on'. In addition, as friendly credit is not available on certain meters, suppliers will need to make alternative arrangements at times where top-up points are inaccessible, for example increasing emergency credit amounts to make sure customers stay on supply.

Emergency credit amounts and friendly credit hours to be determined by suppliers

4.21. We are not proposing to set a minimum or maximum limit on the amount of emergency credit offered as we believe suppliers are best placed to assess this. Our proposed working draft licence conditions (see Appendix 1) outline that emergency credit should enable the continuity of supply. We have seen examples of some suppliers trialling different amounts of emergency credit and we encourage all suppliers to consider what is in the best interest for their customers. Similarly, while friendly credit hours can sometimes differ across suppliers we are not proposing to prescribe the specific hours.

4.22. We acknowledge that differences in emergency credit amounts and friendly credit hours across suppliers may create some confusion among customers but we believe it is important that customers are aware of their supplier provision of these services in the first place. We also believe that not using prescription ensures this proposal remains fit for purpose in the future and is in line with our principles based regulation approach.

Costs and benefits

4.23. Our evidence shows the majority of suppliers who are serving the prepayment meter market are currently offering these functions, and therefore we expect the total upfront costs of implementing this licence condition to be minimal for industry participants. Customers are required to repay the emergency and friendly credit and therefore ongoing costs on suppliers remain low. There may be additional costs in providing emergency credit to traditional gas customers where a 'wind on' is required, however given the significant detriment experienced by customers due to lack of heating, the benefits of accessing gas emergency credit will be higher. At the same time, progress on the smart meter rollout will mean fewer 'wind on' requests will be required in the future.

4.24. We note there are technical issues with traditional gas meters for the provision of friendly credit and the policy intent of requiring suppliers to 'take all reasonable steps' captures this technical limit. Where there are technical limitations, we would expect suppliers to take other steps to offer short-term support at times where top-up points are inaccessible.

4.25. We believe that this proposal will result in all suppliers adopting a consistent level of support across the market, raise awareness of the short-term protections that are available and in turn reduce the number of customers self-disconnecting for short periods of time. At

the same time, our proposal captures the technical constraints that suppliers face with certain meter types.

Question 3a: Do you agree with our proposal to mandate suppliers to offer emergency and friendly credit functions for all prepayment meter customers?

Question 3b: Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

Proposal to formalise discretionary credit provision

How discretionary credit works

4.26. Discretionary credit is another short-term method to get customers back on supply and is tailored for customers in vulnerable circumstances who need extra support. This is added to a customer's meter at their direct request, and it is particularly advantageous to those who are struggling to budget. Citizens Advice stated in their Call for Evidence response that the EHU sees discretionary credit resolving the vast majority of self-disconnection cases that they handle as a result of temporary financial crisis.

4.27. The operational aspect of accessing the discretionary credit depends on the meter type. Traditional gas meter customers often require a 'wind-on' and electricity meter customers are able to access discretionary credit through a remote token issue code (RTI), which is redeemed at a PayPoint outlet. All discretionary credit provided to smart meter customers is applied remotely.

How discretionary credit is repaid

4.28. Although known as 'discretionary', this credit is still repayable in the majority of cases, similar to emergency and friendly credit. There are instances where suppliers opt to write off the discretionary credit as a goodwill gesture. However, often the repayment of discretionary credit is done through instalments, similar to debt repayments. A number of stakeholders highlighted the importance of setting debt repayment rates for discretionary credit in line with an individual customer's ability to pay to ensure that customer does not self-disconnect again due to unaffordable repayment rates. Citizens Advice Scotland (CAS) noted in their Call for Evidence response that some suppliers offer discretionary credit but do not check the debt recovery rate or signpost the customer to debt or financial advice, which can lead to customers self-disconnecting again (see also Case Study 2).

4.29. There are differences in the market in the provision of discretionary credit. Some suppliers operate a policy on the frequency of credit provided. The value of the credit offered also varies from £1 to over £200, and some suppliers choose to operate a limit while others have no 'hard limit' with each request being assessed on a case-by-case basis. There are pros and cons to the credit and frequency limits currently set by suppliers, with arguments that a low amount will not solve the problem for the duration required and a high amount can build debt for the consumer.

4.30. While our evidence shows that all suppliers who responded to the RFI are offering discretionary credit for both traditional and smart meter customers, data from ten suppliers shows that on average discretionary credit was provided once or twice per customer in 2018. We are seeing an increase in requests by customers for discretionary credit year on year, and

in 2018 suppliers provided discretionary credit on 75% of the occasions that it was requested.⁴⁰ CAS highlighted in their response that some newer suppliers entering the prepayment market are often not expecting to have to offer this type of support.

Case Study 2 – Extra Help Unit (EHU) – Repayment Rates

The consumer was in receipt of Universal Credit and was not due another payment for two weeks. She has mental health problems and a 7-year-old child that suffers with severe asthma. There was £2.60 left on her electric meter and £3.92 on the gas. When the consumer contacted the supplier herself she was refused any assistance as she has had discretionary credit before.

The EHU contacted the supplier and asked for discretionary credit to be provided however this was refused. When this was escalated to a manager at the supplier, it agreed to provide £13.50 credit on the electricity and lowered the debt recovery rate from 25% to 20%. The debt recovery on the gas meter was suspended for three weeks. The supplier said that they would not provide discretionary credit again.

When the EHU asked if the supplier would consider putting the consumer in credit mode and setting up Fuel Direct the supplier stated Fuel Direct is not something it actively promoted but signposted the consumer for debt advice and Charis Grants.

Policy proposal: require suppliers to offer discretionary credit to vulnerable customers

4.31. Evidence suggests that discretionary credit provides an effective short-term solution, particularly to those in the most vulnerable situations. However, there appears to be inconsistencies in the support provided among suppliers. We also note customers may not always be aware of the support available as this is not widely advertised and requires customers (or third party representatives) to directly ask for this support.

4.32. We are therefore proposing to require suppliers to have a policy of offering discretionary credit to customers in vulnerable circumstance and who have been identified as having self-disconnected, either via supplier's own monitoring or where the customer or a third party has informed the supplier.

4.33. Suppliers are already obligated to have measures in place to identify customers in vulnerable situations as part of their obligations under the Standards of Conduct.⁴¹ We are proposing that suppliers actively promote and offer this support to customers in vulnerable situations. Information should be easily accessible to customers, at all points of contact, including the registration process and in situations where a customer moves from a credit meter to a prepayment meter.

⁴⁰ Evidence from Ofgem (2019) Supplier Request for Information, based on 2016-2018 figures.

⁴¹ The Standards of Conduct are enforceable overarching rules aimed at ensuring licensees, and their representatives in the case of domestic suppliers, treat each domestic customer fairly (SLC 0).

Providing support on a case-by-case basis

4.34. We propose that suppliers operate the value, frequency and repayment rates of the discretionary credit on a case-by-case basis through conversations with the customer which take in to account the severity of each situation and each customer's ability to pay. Our proposal to incorporate the Ability to Pay principles in the supply licence is discussed in more detail in Section 5 of this consultation.

4.35. Currently in the market, some suppliers have policies in place which limit the number of times discretionary credit can be provided, irrespective of whether a customer has repaid the amount previously provided. We would like to see suppliers take into account previous repayments of discretionary credit. For example, where a customer has shown that they have fully repaid a previous discretionary sum, we believe that there shouldn't be a limit on when a customer can reapply for discretionary credit.

Providing holistic support

4.36. We acknowledge that there are areas of risk that will need to be mitigated, including instances where suppliers do not believe that it is in the best interest of the customer to provide further repayable discretionary credit.

4.37. In scenarios where a customer is repaying a debt on the meter through weekly repayments, they may not have enough funds to simultaneously repay the debt and keep the meter topped-up for consumption as a result of a short-term financial crisis. In this situation, discretionary credit provision would help the customer to stay on supply. It is at this point that we would expect the supplier to review the customer's repayment rates for both the pre-existing debt and discretionary credit, in line with the ability to pay principles and signpost the customer to additional support that could benefit the customer, for example the Warm Home Discount, free debt advice, trust funds and non-repayable grants. This outcome would address both the short-term financial difficulty and provide further holistic support to prevent continual build-up of debt and possible unsustainable use of the discretionary credit function.

Costs and benefits

4.38. Given that suppliers who cover the majority of the prepayment meter market are already providing discretionary credit, we don't believe there will be significant additional upfront costs involved. There may be additional ongoing costs as we expect the discretionary credit offering to increase. However, we believe this proposal is necessary to provide a further layer of short-term protection for those who need it most on top of emergency and friendly credit provision.

4.39. Customers who will be protected include those who need short-term financial support due to temporary affordability issues, but it may also include those who need short-term support due to temporary accessibility issues, for example a single household customer returning from hospital and having difficulty in accessing top-up points. We expect to see more customers being protected by this short-term support and therefore see a reduction in the detriment experienced.

Question 4a: Do you agree with our proposal to require suppliers to offer discretionary credit for prepayment meter customers in vulnerable circumstances?

Question 4b: Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

5. Proposals to reduce level and impact of ongoing self-disconnection and self-rationing

Section summary

This section sets out our proposals to improve outcomes for consumers who self-disconnect because of an ongoing situation, by proposing to update the existing Ability to Pay principles and incorporate these within the supply licence conditions to emphasise existing protections for customers in ongoing financial difficulty or those who are repaying debt. We also set out our intention to work with government on the wider affordability issues faced by energy customers as well as to promote sharing of good practice across the industry.

Questions:

Question 5: Do you agree with our proposal to incorporate the Ability to Pay principles in the supply licence?

Question 6: Do you agree with our proposal to update the Ability to Pay principles to reflect changes in supplier debt recovery practices? Are there other changes that we should implement?

Customers in ongoing financial difficulties

5.1. For customers who are experiencing repeated and prolonged self-disconnections, there needs to be more sustainable, long-term solutions considered alongside the immediate remedy that the emergency, friendly and discretionary credit functions provide.

5.2. Consumer groups provided evidence that customers in debt and on unaffordable debt repayment plans are at significant risk of self-disconnection and self-rationing. A Citizens Advice survey showed that prepayment meter consumers with debt on their meter are three times more likely to disconnect than those who have no debt, with 41% of people who had their prepayment meter set to collect a debt self-disconnecting in 2017, compared to 13% of other prepayment meter consumers.⁴²

5.3. In addition, a CAP survey from 2014 found that 54% of CAP prepayment meter clients in financial difficulty self-disconnected in the previous year.⁴³ An update to this report in 2017 found that there had been little change with 53% of prepayment meter customers reporting self-disconnection.⁴⁴ CAP assume that this survey sample is representative of electricity prepayment meter customers that are in arrears.

5.4. Consumer groups have also highlighted that suppliers need to consider repayment rates of discretionary credit to ensure customers do not self-disconnect shortly after receiving

⁴² Citizens Advice (2018) [Switched on – improving support for prepayment consumers who've self-disconnected](#)

⁴³ Christians Against Poverty (2014) [The Poor Pay More](#)

⁴⁴ Christians Against Poverty (2017) [The Poor Pay More Winter 2016/17 progress update](#)

the discretionary amount, as discussed in more detail above. In addition, unaffordable repayment plans not only affect customers on prepayment meters but also those on credit meters. As part of our ongoing monitoring, we have continued to see high repayment rates being set by some suppliers for customers repaying via credit meters. In 2017, we found that small suppliers have a higher proportion of customers (21%) in the >£15 repayment bracket compared to 6% for large suppliers.⁴⁵

5.5. We are therefore proposing to focus our work at this stage on protecting customers in financial difficulties and in debt, as these customers are more likely to experience self-disconnection and self-rationing and there appear to be gaps in consumer protection for these customers. For customers in other ongoing vulnerable situations (e.g. accessibility issues, technical difficulties, etc.), we expect them to be protected by existing safeguards. Where we do not see sufficient improvement, we are ready to take compliance or enforcement action to protect consumers' interests. We also propose to focus on working with government and promoting good practice across industry.

Proposal to incorporate 'Ability to Pay' principles in the supply licence

Ability to Pay principles

5.6. In 2010, following a review of suppliers' approaches to debt management and debt prevention, we introduced the 'Ability to Pay' principles.⁴⁶ The principles set out the key considerations we expect suppliers to take into account when assessing a customer's ability to pay if they are in actual or potential payment difficulty, as part of their compliance with supply licence condition 27.8. They set out the minimum standards we expect suppliers to meet in this area to ensure that customers are treated reasonably and fairly particularly those in vulnerable circumstances.

5.7. The Ability to Pay principles include having appropriate credit management policies and guidelines in place, setting the repayment rate and method based on understanding a customer's individual circumstances and ensuring that the arrangement is clearly communicated with the customer. As part of these, we also expect suppliers to proactively monitor arrangements after they have been set up to check whether a prepayment meter is being used initially and on an ongoing basis and to monitor failed arrangements, which should help identify customers who are at risk of self-disconnection and/or self-rationing.

5.8. In our draft Consumer Vulnerability Strategy 2025, we set out that one of our immediate areas of focus will be to consider giving added prominence and updating the Ability to Pay principles in our rulebook to emphasise the need to provide targeted support to consumers facing payment difficulty.

⁴⁵ Ofgem (2018) [Vulnerable Consumers in the energy market: 2018](#)

⁴⁶ Ofgem (2010) [Debt Review report: key Principles for taking ability to pay into account](#)

Key principles for Ability to Pay (2010)

Having appropriate credit management policies and guidelines

- Allowing for customers to be dealt with on a case-by-case basis
- Linking staff incentives to successful outcomes not repayment rates

Making proactive contact with customers

- Making early contact to identify whether a customer is in payment difficulty
- Regularly reviewing methods of proactive contact to ensure they meet the needs of customers
- Using every contact as an opportunity to gather more information about the customer's situation

Understanding individual customer's ability to pay

- Providing clear guidance and training for staff on how to elicit information on ability to pay and monitoring the effectiveness of this
- Making it easier for customers to raise concerns
- Making full use of all available information
- Proactively exploring not only payment amount but appropriate payment methods

Setting repayment rates based on ability to pay

- Where default amounts are set it should be made clear that these are guidelines only and in any event the levels should be reasonable
- Ensuring all available information is obtained and taken into account including the customer's circumstances identified on the warrant visit or when installing a PPM on a warrant
- Not insisting on substantial upfront before reconnection.

Ensuring the customer understands the arrangement

- There must be clear communication with the customer which allows them to understand:
 - how much they are repaying each week;
 - when the debt will be repaid; and
 - what to do if they experience difficulties.
- For PPM customers this includes explaining that debt will be recovered regardless of usage (eg over the summer).

Monitoring of arrangements after they have been set up

- Individual arrangements must be monitored:
 - for credit customers' broken arrangements;
 - and for PPM to check whether it is being used initially and on an ongoing basis.
- There should be monitoring of agreed repayment rates across staff using call listening and other techniques to encourage a consistent approach
- Monitoring of failed arrangements to understand whether inappropriate rates are being set
- Monitoring of overall repayment rates and recovery periods to understand trends.

Policy proposal: update and incorporate Ability to Pay principles into the licence

5.9. We are concerned, based on our evidence, that not all suppliers are considering customers' ability to pay sufficiently when setting repayment plans and are not taking into account the ability to pay principles, which would help prevent self-disconnection and self-rationing. This includes debt repayment rates for credit and prepayment meter customers. For prepayment meter customers, it also includes repayment rates for other charges added as debt to the meter, such as repayment of discretionary credit or repayment of replacement cards and keys where the supplier applies a cost. Where the principles are being applied, the evidence shows that suppliers are either not adhering to the minimum standards and/or are not taking a consistent approach when applying the principles.

5.10. One of the options we are considering is to place a greater emphasis on the existing Ability to Pay principles by incorporating them into the supply licence conditions. We believe that this will give the principles further prominence and emphasise consumer protection for customers who are in potential and actual financial difficulty by ensuring that all suppliers sufficiently consider customers' ability to pay and uniformly apply these principles. We believe that suppliers being proactive and supportive of consumers in payment difficulty is a win-win for the customer and supplier.

5.11. Having reviewed the existing Ability to Pay principles, we are proposing to update these to better reflect recent changes in supplier debt recovery practices (see Figure 2 for existing principles). For example, ensuring all available information is taken into account for setting repayment rates in situations where customers are remotely switched to prepayment meters and informing the customer of how debt will be recovered where repayment rates are a proportion of the customer's top-up rather than a fixed weekly amount. We also believe that there is scope to update the principles more generally in order to future-proof and provide room for innovation. We welcome views on this.

5.12. We do not anticipate our proposal to have significant impacts on existing industry participants, as we expect the majority of suppliers are already applying the principles. However, we note there may be suppliers who are not fully applying the principles and we would expect them to incur additional implementation costs.

Question 5: Do you agree with our proposal to incorporate the Ability to Pay principles in the supply licence?

Question 6: Do you agree with our proposal to update the Ability to Pay principles to reflect changes in supplier debt recovery practices? Are there other changes that we should implement?

Work with government to protect customers in financial difficulty

5.13. One of the key themes in our draft Consumer Vulnerability Strategy 2025 is working with partners to tackle issues that cut across multiple sectors. Responses to our Call for Evidence highlighted how customers in financial difficulties may be self-disconnecting and self-rationing in energy while also dealing with debts in other areas such as water or council

tax (see also Case study 3).⁴⁷ Government recently confirmed its plan to implement a breathing space scheme and a statutory debt repayment plan in England and Wales to help people in problem debt.⁴⁸ A similar scheme is already available in Scotland.⁴⁹

5.14. The breathing space scheme will be a 60-day period that will give someone in problem debt the right to legal protections from creditor action while they receive debt advice in order to enter an appropriate debt solution. The statutory debt repayment plan will enable someone in problem debt to enter a statutory agreement to repay their debts to a manageable timetable. Individuals entering a plan would receive legal protections from creditor action for the duration of their plan. We will be working closely with government on the implementation of the breathing space proposals to ensure prepayment meter customers are suitably protected.

Case Study 3 – Centre for Sustainable Energy (CSE)

Mr. B. was a social tenant suffering from alcoholism, and had had no gas for two years due to a build-up of debts. The client insisted that his gas had been capped two years ago, although the standing charge continued to increase. He also had a number of other debts, including council tax and water debt, which totalled to over £3,000. In addition to alcoholism, he suffered from arthritis and other health conditions, exacerbated by the lack of heating and hot water. He stated using a room heater and having to sleep in a sleeping bag in the front room as his bedroom was unbearably cold.

CSE helped reduce his electricity bills by fitting LED light bulbs in his home, installed draught proofing measures such as thick curtains, applied for the Restart scheme to clear his water debt, and helped set up a repayment plan with the energy supplier. Additionally, WE Care and Repair donated a large oil-filled radiator and the council fixed the pipework and installed radiators for gas central heating in Mr. B.'s home.

Promote good practice across industry

5.15. Responses to our Call for Evidence and supplier RFI indicated that there are many good practice examples across the industry to support customers who are at risk of self-disconnection or are self-disconnecting due to affordability reasons, some of which we have mentioned throughout this consultation. We believe it is important to disseminate this information so that industry participants learn from each other. We will continue to do this via our annual Vulnerable Consumers in the Energy Market report and we encourage industry to continue to share good practice on a regular basis at industry fora. Below we set out some key areas of good practice in tackling self-disconnection and self-rationing that we identified as part of our Call for Evidence and supplier RFI.

Referrals and partnerships with third party organisations

5.16. We are pleased to see that many suppliers are establishing partnerships with charities and third party agencies to allow consumers to access appropriate support and we encourage

⁴⁷ Taken from our Call for Evidence responses, see non-confidential responses on our website: [Self-disconnection and self-rationing: a call for evidence](#)

⁴⁸ HMT (2019) [Breathing space scheme: response to policy proposal](#)

⁴⁹ See <https://www.aib.gov.uk/debt-arrangement-scheme> Accountant in Bankruptcy Scotland Debt Arrangement Scheme

the increasing use of referral systems. These organisations can provide additional support to financially vulnerable consumers in the form of energy efficiency advice, debt advice, benefit entitlement checks and income maximisation.

5.17. Responses to our Call for Evidence and RFI emphasised the need for collaboration across organisations to ensure holistic support for customers at risk of self-disconnection and self-rationing. Working with local 'trusted intermediaries' was highlighted by a number of stakeholders as crucial to achieving this, particularly as evidence shows that prepayment meter customers are unlikely to engage with their supplier to ask for support when self-disconnecting or self-rationing.

Awareness of standing charges accrual

5.18. We have seen that self-disconnection is more prevalent among gas prepayment meter customers, particularly due to seasonality. Gas customers may prioritise the payment of other bills rather than paying standing charges during the summer for a supply they don't immediately need to use. The accumulation of standing charges from not topping up during summer months can result in a debt building up that may cause the customer financial difficulty in winter when they next top-up. Our RFI showed that standing charge debt is often fully collected when customer next tops-up, with a few suppliers agreeing repayment rates for those customers who cannot afford to pay in fully.

5.19. Responses to the RFI showed that the majority of suppliers alert customers of the risk of standing charge build-up at the start of the contract and information is often provided in welcome packs or on suppliers' websites.

5.20. A number of good practice and proactive approaches were also identified. Our RFI indicated that at least five suppliers have attempted to tackle standing charges accrual by introducing summer awareness campaigns to remind customers to keep their prepayment meters topped-up. One supplier also implemented an initiative to encourage consumers to save funds for the winter period. This scheme allows customers to set up a savings pot that can be added to every time they top-up. Over the summer months, when gas usage is limited, customers can add money to the savings pot to help even out the amount they pay over the course of the year.⁵⁰

⁵⁰ Evidence from Ofgem (2019) Supplier Request for Information

Appendices

Index

Appendix	Name of appendix	Page no.
1	Working draft licence conditions: Self-disconnection and Self-rationing	40
2	Privacy notice on consultations	43

Appendix 1 – Working draft licence conditions: Self-disconnection and Self-rationing

Condition 27A Self-disconnection and Self-rationing

Policy intent: We are proposing to introduce a new licence condition regarding self-disconnection and self-rationing. We are planning for this to include our proposal to require suppliers to identify customers who are self-disconnecting and self-rationing and to require suppliers to offer Emergency, Friendly and Discretionary Credit.

Identifying Self-disconnection and Self-rationing

27A.1 Where a Domestic Customer uses a Prepayment Meter the licensee must take all reasonable steps to identify whether a Domestic Customer is Self-disconnecting, give due consideration to customers who are in a Vulnerable Situation, and offer appropriate support where needed, in accordance with this SLC 27A.

27A.2. Where the licensee has identified a Domestic Customer as being in a Vulnerable Situation, the licensee must take all reasonable steps to identify whether that Domestic Customer is Self-rationing, regardless of payment method, and offer appropriate support where needed, in accordance with this SLC 27A.

Provision of Emergency Credit and Friendly Credit

27A.3 Where a Domestic Customer uses a Prepayment Meter the licensee must offer Emergency Credit and Friendly Credit to the Domestic Customer, unless it is technically unfeasible and outside of the control of the licensee to offer these credit facilities. In assessing the sum of Emergency Credit and Friendly Credit offered and the related repayment rate, the licensee must adhere to SLC 27.8.

27A.4 Where it is technically unfeasible and outside of the control of the licensee to offer Emergency Credit and Friendly Credit to the Domestic Customer, the licensee must take all reasonable steps to provide that Customer alternative short-term support in a timely manner.

Provision of Discretionary Credit

27A.5 Where the licensee has identified a Domestic Customer who uses a Prepayment Meter as being in a Vulnerable Situation, and that Domestic Customer encounters an event of Self-disconnection and/or Self-rationing, the licensee must offer Discretionary Credit to that Domestic Customer in addition to the support offered in SLC 27A.3 and 27A.4. In assessing the sum and frequency of Discretionary Credit offered and the related repayment rate, the licensee must consider this on a case by case basis and must adhere to SLC 27.8

Provision of Information

27A.6 The licensee must ensure that each Domestic Customer who uses a Prepayment Meter is given adequate information, at an appropriate time, of the licensee's Emergency Credit, Friendly Credit and Discretionary Credit facilities (as appropriate) including what this is, when this can be used and how this is repaid by the Domestic Customer.

Definitions

In this condition:

“Emergency Credit” means

an interest free fixed loan of credit provided to a Domestic Customer when that Domestic Customer’s Prepayment Meter credit runs low or runs out to ensure continuity of [gas / electricity] supply or return on supply.

“Friendly Credit” means

an interest free loan of credit provided overnight and/or weekends and public holidays to a Domestic Customer when that Domestic Customer’s Prepayment Meter credit runs low or runs out to ensure continuity of [gas / electricity] supply or return on supply.

“Discretionary Credit” means

an interest free loan of credit provided to a Domestic Customer in a Vulnerable Situation when that Domestic Customer’s Prepayment Meter credit runs out to ensure return on [gas / electricity] supply.

“Self-disconnection” means

When a Domestic Customer uses a Prepayment Meter and experiences an interruption to their [gas / electricity] supply because the credit on the meter has been exhausted or the credit is not easily accessible.

“Self-rationing” means

When a Domestic Customer deliberately limits its [gas / electricity] use to save money for other areas

Condition 28 Prepayment Meters

Policy intent: In addition to the proposed new requirement 27A.6 on provision of information relating to the provision of Emergency, Friendly and Discretionary Credit, we are proposing to introduce an additional requirement on information provision as part of existing supply licence conditions when a prepayment meter is installed to ensure consistency across the rulebook. It is important that customers are aware of the support available at all points of the customer journey. We have set out in [red](#) the additional requirement we are proposing to introduce.

Information about Prepayment Meters

28.1 If the licensee offers to enable a Domestic Customer to pay or a Domestic Customer asks to pay Charges through a Prepayment Meter, the licensee must provide, prior to or upon the installation of that meter, appropriate information to that customer about:

(a) the advantages and disadvantages of a Prepayment Meter;

(aa) information relating to the operation of the Prepayment Meter, including information about the process for, and methods by which, the Domestic Customer can pay in advance through the Prepayment Meter;

(b) where he may obtain information or assistance if: (i) the Prepayment Meter is not operating effectively; or (ii) any device used to allow the Charges to be paid through the Prepayment Meter is not operating effectively;

(bb) the licensee's Emergency Credit, Friendly Credit and Discretionary Credit facilities as defined in SLC 27A including what this is and when this can be used by the Domestic Customer; and

(c) the procedures that the licensee will follow when removing or resetting the Prepayment Meter, including the timescale and any conditions for removing or resetting it.

Appendix 2 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

3. With whom we will be sharing your personal data

Your personal information is never shared with anyone outside of Ofgem. However, we will publish your response to our consultation on our website. If your response includes personal information we will publish your response as is, unless you tell us you wish to have any names on the document redacted.

4. For how long we will keep your personal data, or criteria used to determine the retention period.

The duration your data will be retained for is specified within each Consultation Privacy Statement. In this consultation, we intend to hold your data for 1 year before it is reviewed.

5. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

6. Your personal data will not be sent overseas.

7. Your personal data will not be used for any automated decision making.

8. Your personal data will be stored in a secure government IT system.

9. More information

For more information on how Ofgem processes your data, click on the link to our "[Ofgem privacy promise](#)".