

To: All holders of a gas supply licence

Gas Act 1986

Section 23(2)

**Notice of statutory consultation on a proposal to modify the standard conditions
of all gas supply licences**

1. The Gas and Electricity Markets Authority ('the Authority')¹ proposes to modify the standard conditions of all gas supply licences granted or treated as granted under 7A(1) of the Gas Act 1986 by:
 - amending Standard Licence Condition 28 (Prepayment Meters) and Standard Licence Condition 27 (Payments, Security Deposits, Disconnections and final Bills) and;
 - adding a new Standard Licence Condition to all gas supply licences: 27A (Self-disconnection)
2. The proposed modifications are set out in Schedule 1. New text is in font colour black and double underlined.
3. We are proposing these modifications to introduce new requirements on suppliers relating to identification and support for consumers on prepayment meters who self-disconnect or are at risk of self-disconnection, and ongoing support for consumers in financial difficulty.
4. We intend to place a new obligation on suppliers to take all reasonable steps to identify all prepayment meter customers who are self-disconnecting and offer appropriate support in line with existing and new obligations. We also propose to introduce new requirements on suppliers to offer emergency and friendly-hours credit to all prepayment meter customers, additional support credit to customers in vulnerable circumstances, and provide appropriate and timely information on the availability and functionality of these offerings. Finally, we propose to place enhanced requirements on suppliers with respect to providing support to all

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

customers who are facing financial difficulties through the inclusion of updated Ability to Pay principles. These would replace the existing principles which were introduced in 2010.

5. The detailed reasons why the Authority proposes to make these licence modifications have been published by the Authority in the following documents:
 - Statutory consultation: Self-disconnection and self-rationing final proposals²
 - Policy consultation: Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing³
6. The effect of these proposed modifications is to bring a sustained reduction in the number of prepayment meter customers who are self-disconnecting each year, as they are given short-term credit to enable them to top-up their prepayment meter, and to bring more consistency of support by suppliers to enable customers to pay their energy bills.
7. A copy of the proposed modifications and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively, they are available from foi@ofgem.gov.uk.
8. Any representations with respect to the proposed licence modifications must be made on or before **24 August 2020** to: Arina Cosac, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to CDconsultations@ofgem.gov.uk.
9. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.

² Available on the Ofgem website from 29 June 2020 at the following link: <https://www.ofgem.gov.uk/about-us/how-we-work/working-consumers/protecting-and-empowering-consumers-vulnerable-situations/consumer-vulnerability-strategy/consumer-vulnerability-strategy-prepayment-meters>

³ Ofgem (2019) Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing: <https://www.ofgem.gov.uk/publications-and-updates/proposals-improve-outcomes-consumers-who-experience-self-disconnection-and-self-rationing>

10. If we decide to make the proposed modifications they will take effect not less than 56 days after the decision is published.

Philippa Pickford

Duly authorised on behalf of the Gas and Electricity Markets Authority

29 June 2020

Schedule 1 – proposed modifications to the standard conditions of all gas supply licences

We have included the sections of the SLCs we have decided to amend below. New text is in font colour black and double underlined.

Condition 27. Payments, Security Deposits, Disconnections and final Bills

[Extracts]

27.8 The licensee must take all reasonable steps to ascertain the Domestic Customer's ability to pay and must take this into account when calculating instalments, giving due consideration to:

- (a) relevant information provided by third parties, where it is available to the licensee; and
- (b) where instalments will be paid using a Prepayment Meter, the value of all of the charges that are to be recovered through that meter.

27.8B For the purposes of ascertaining a Domestic Customer's ability to pay as set out in paragraph 27.8, the licensee must give due consideration to:

- (a) Having appropriate credit management policies and guidelines, which includes:
 - (i) Allowing for customers to be dealt with on a case-by-case basis; and
 - (ii) Linking staff incentives to successful customer outcomes not the value of repayment rates.
- (b) Making proactive contact with customers, which includes:
 - (i) Making early contact to identify whether a customer is in payment difficulty;
 - (ii) Regularly reviewing methods of proactive contact to ensure they meet the needs of customers;
 - (iii) Using every contact as an opportunity to gain more information about the customer's ability to pay when the licensee becomes aware or has

reason to believe the customer is having or will have payment difficulty; and

- (iv) Making customers aware of debt advice services when they raise concerns about their ongoing ability to pay, in accordance with Supply Licence Condition 31G.

(c) Understanding individual customers' ability to pay, which includes:

- (i) Providing clear guidance and training for staff on how to elicit information on ability to pay and monitoring the effectiveness of this;
- (ii) Providing appropriate channels for customers to quickly and easily raise concerns and facilitating conversations around customers' ability to pay when requested;
- (iii) Making full use of all available information; and
- (iv) Proactively exploring payment amounts and payment methods which are appropriate to the individual circumstances of each customer; this includes debt repayment schemes such as those by which payments may be deducted at source from a social security benefit received by that customer.

(d) Setting repayment rates based on ability to pay, which includes:

- (i) Ensuring all available information is obtained and taken into account, including the customer's circumstances identified on a warrant or site visit or when installing a prepayment meter on a warrant;
- (ii) Only setting default amounts when there is insufficient information to ascertain the customers' ability to pay and where default amounts are set, it should be made clear that these default amounts are guidelines only and in any event the levels should be reasonable; and
- (iii) Not insisting on substantial upfront payments before reconnection.

(e) Ensuring the customer understands the arrangement, which includes:

- (i) Clear communication with the customer which allows them to understand how much they are regularly repaying; how the repayment will be deducted; when the debt will be repaid; and what to do if they experience difficulties during the arrangement; and

(ii) For prepayment meter customers repaying debt by a weekly amount explaining that debt will be recovered regardless of usage.

(f) Monitoring of arrangements after they have been set up, which includes:

(i) Individual arrangements must be monitored:

- for credit meter customers to check for the occurrence of failed repayment arrangements;
- and for prepayment meter customers to check whether it the meter is being used initially and on an ongoing basis;

(ii) Monitoring of the approach taken by staff when agreeing repayment rates, using call listening and other techniques, to encourage a consistent and appropriate approach;

(iii) Monitoring of failed repayment arrangements to understand whether inappropriate rates are being set

(iv) Monitoring of overall repayment rates and recovery periods to understand trends.

(g) Re-engaging with the customer after an initial occurrence of a failed repayment arrangement, which includes:

(i) engaging with the customer to discuss the repayment plan, (including whether a different repayment plan or repayment method would be more suitable).

Condition 27A. Self-disconnection

Identifying Self-disconnection

27A.1 Where a Domestic Customer uses a Prepayment Meter the licensee must:

- (a) take all reasonable steps to identify on an ongoing and continuous basis, whether that Domestic Customer is Self-disconnecting; and
- (b) if the licensee identifies that that Domestic Customer is Self-Disconnecting, offer that Domestic Customer appropriate support in accordance with this condition SLC 27A, SLC 28.7 and all other obligations relating to Prepayment Meter customers, and in deciding what is appropriate support for that Domestic Customer, take into account whether they are in a Vulnerable Situation, as appropriate.

Provision of Emergency Credit and Friendly-hours Credit

27A.2 Where a Domestic Customer uses a Prepayment Meter the licensee must offer Emergency Credit and Friendly-hours Credit to that Domestic Customer, unless it is technically unfeasible and/or outside of the control of the licensee to offer those credit facilities to that Domestic Customer.

27A.3 Where it is technically unfeasible and/or outside of the control of the licensee to offer Emergency Credit and Friendly-hours Credit to the Domestic Customer, the licensee must take all reasonable steps to provide that Customer alternative short-term support in a timely manner.

27A.4 Where paragraph 27A.2 applies, if the licensee becomes aware or has reason to believe that a Domestic Customer is having or will have difficulty paying all or part of the Charges, the licensee must adhere to SLC 27.8 when calculating instalments for the Domestic Customer to repay the total amount of Emergency and/or Friendly-hours Credit provided.

Provision of Additional Support Credit

27A.5 Subject to paragraph 27A.7, on each and every occasion on which a licensee identifies that a Domestic Customer who is in a Vulnerable Situation has Self-

Disconnected and/or has Self-Rationed or is Self-Disconnecting and/or Self-Rationing, the licensee must offer Additional Support Credit to that Domestic Customer in addition to the support offered in paragraph 27A.2.

27A.6 Where paragraph 27A.5 applies, on each occasion on which the licensee offers Additional Support Credit, the licensee must assess the sum of Additional Support Credit it offers to the Domestic Customer and calculate the instalments for the Domestic Customer to repay the Additional Support Credit it offers to the Domestic Customer in accordance with SLC 27.

27A.7 Should the licensee, acting reasonably and having fully considered and complied with its obligation in paragraph 27A.5 and 27A.6 (apart from actually offering the Domestic Customer Additional Support Credit), determine that the provision of Additional Support Credit to the Domestic Customer is not in the best interest of the Domestic Customer the licensee shall not be obliged to provide Additional Support Credit under SLC 27A.5 to that Domestic Customer on that occasion, however, the licensee must provide alternative appropriate support to that Domestic Customer in accordance with SLC 0 and SLC 31G.2.

Provision of Information

27A.8 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-hours Credit and Additional Support Credit facilities (as appropriate) including what this is, when this can be used and how this is repaid by the Domestic Customer.

Definitions for condition

27A.9 In this condition:

"Additional Support Credit" means a fixed amount 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 supply"

"Emergency Credit" means a fixed amount 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 supply or return on supply.

"Friendly-hours Credit" means an amount of credit provided overnight, at 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 supply or return on supply.

"Self-disconnection" means when a Domestic Customer uses a Prepayment Meter and experiences an interruption to their gas supply because the credit on the meter has been exhausted. Terms derived from this, such as 'Self-Disconnected' and 'Self-Disconnecting' shall be construed accordingly.

"Self-rationing" means when a Domestic Customer deliberately limits its gas use to save money for other goods or services. Terms derived from this, such as 'Self-Ration' and 'Self-Rationed' shall be construed accordingly.

Condition 28. Prepayment Meters [Extracts]

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-hours Credit and Additional Support 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.