



Action for Warm Homes

CONSULTATION RESPONSE

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National Energy Action (NEA) response to Ofgem's Call for Evidence on Prepayment Rules and Protections

About National Energy Action (NEA)

NEA¹ works across England, Wales, and Northern Ireland to ensure that everyone in the UK² can afford to live in a warm, dry home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

Background to this response

Over the last six months, NEA has consistently identified poor practice in the installation of prepayment meters in the energy market, and routinely fed these cases into Ofgem. While Ofgem is reacting relatively late to this poor practice, we are pleased that Ofgem is taking action to improve the market when it comes to prepayment installations.

NEA's view is that there are three strands of work that need to be completed by Ofgem to address the concerns that have been consistently raised in the market:

- 1. The new market compliance review related to the forced installation of prepayment meters must be robust.** If it finds systematic breaking of the rules around installation of prepayment meters, Ofgem must direct energy suppliers to a) provide adequate compensation to affected households; b) take further enforcement action in the form of voluntary redress, or a fine; and c) instruct suppliers to move households back to a credit meter.
- 2. Ofgem must clarify and tighten rules and protections regarding prepayment meter installations.** This must include: a more prescriptive approach in the licence, particularly in relation to ensuring installations are "safe and reasonably practicable"; Prohibiting warrant installs for vulnerable households beyond those with mental health issues (who are already protected explicitly in the licence); and being clearer that the remote switch of smart meters is equivalent to a legacy prepayment meter installation, and that the unconsented remote switch of a smart meter is equivalent for a forced installation of a legacy prepayment meter. Additionally, the current ban on prepayment installations must not expire before new rules are agreed, and confidence is restored that rules are being followed.
- 3. Ofgem must undertake a 'root and branches' review of the prepayment meter market.** Recent events have called into question the adequacy of prepayment meters with respect to their use as both a debt collection mechanism, and a way to protect the revenues of energy suppliers. Ofgem and the UK Government must investigate whether legacy prepayment meters are fit for purpose.

This response focuses on the second of these strands of work, which is addressed in more detail below.

Summary of Our Response

NEA firmly believes that the rules and regulations behind the installation of prepayment meters, and the remote switching of smart meters to prepayment mode, need to be clarified and tightened urgently. There are four areas that need significant consideration:

- The level of prescription in the licence, particularly in relation to ensuring installations are “safe and reasonably practicable”, which currently leads to divergent outcomes which depends on each suppliers’ interpretation of the principle.
- The types of households that should never have a prepayment meter installed under warrant, beyond those with mental health issues (who are already protected explicitly in the licence).
- Clarity over the equivalence of remote switching of smart meters to prepay mode and the installation of legacy prepayment meters, both with and without a warrant.

Additionally, there is a need to ensure that the current ban on prepayment meter installations does not end before there is confidence that the rules have been sufficiently tightened and clarified, and that suppliers are adhering by the rules that they have set.

Each of these issues is addressed in turn below.

The level of prescription in the supplier licences should be increased when it comes to prepayment meter installations.

In the gas and electricity supplier licences, there is currently a principles-based approach taken throughout. For the installation of prepayment meters, this manifests itself in a principle that a supplier must ensure that a prepayment meter is safe and reasonably practicable for the customer before its install. While guidance exists, it is only the licence itself that is enforceable, and energy suppliers have taken differing approaches to their interpretation of what ‘safe and reasonably practicable’ means. Some have taken it to mean that prepayment meters cannot be installed where no member of the household can physically top the meter up. Others take some vulnerabilities into account. It is clear from recent interactions that some consumer groups and charities have another, different understanding of this licence condition - that it prohibits installations of prepayment meters where any harm could be felt by the household as a result. It is not clear what Ofgem’s interpretation of this part of the licence is, and therefore these differing interpretations will persist without prescription, leaving a lottery of how a customer is treated.

In some parts of the licence, the principles-based approach works well, facilitating individualised customer service that would otherwise be lost. However, in this case, with the installation of prepayment meters, the outcome is not individualised customer service. It is varying protections for vulnerable customers across energy suppliers. And for forced installations, there is no argument for a principles-based approach, as this is a unilateral supplier decision with no customer consent, and therefore there is no customer service advantage gained by avoiding prescription. Furthermore, the installation of prepayment meters, when coupled with financial vulnerability (which they necessarily are) and health vulnerabilities, can lead to ill health where self-disconnections occur and are sustained. This, in some cases, could lead to a loss of life. If ever there was a case for prescription, it is where decisions that suppliers are life and death decisions for their customers.

We therefore urge Ofgem to explicitly set out in the licence the expectation of suppliers when it comes to being safe and reasonably practicable. Without such prescription, the current lottery of protections will persist. Suppliers should not be able to compete by offering different protections to different types of customers with regards to their own debt recovery/revenue protection strategies. That is a matter that should be clearly set out by the regulator.

Explicitly banning forced installations for certain types of households

The electricity and gas licences already prohibit warrant installs in households where such installations “*would be severely traumatic to that Domestic Customer due to an existing vulnerability which relates to their mental capacity and/or psychological state and would be made significantly worse by the experience.*” as part of SLC28B.1. This is welcome prescription in the licence but must be built on. In particular, the protections for those with ill mental health should be complemented with equivalent protections for those with physical health conditions that make them particularly vulnerable living without access to heat and/or power (that can occur because of a self-disconnection, whether for affordability reasons or not)

The conditions that we believe are most vulnerable to the potential impacts of self-disconnections are³:

- **Patients that are medically dependent** on powered medical equipment to stay healthy at home. These are well set out by DNOs in their own outage planning, but some of the equipment that should be considered are:
 - Households with dialysis machines
 - Households that use oxygen concentrators
 - Households that use artificial ventilators.
- **Respiratory disease**
 - With each 1°C drop in temperature below 5°C, GP consultations for respiratory illness in older people increase by 19%.
 - Hospital admissions for Chronic Obstructive Pulmonary Disease (COPD) are four times more likely to happen over the winter.
 - Moreover, homes which have damp or mould have been linked with a 30-50% increase in respiratory problems (with asthma sufferers two to three times more likely to live in a damp home than non-sufferers).
 - Children living in cold homes are more than twice as likely to suffer from asthma or bronchitis as children that do not (those in damp and mouldy homes are three times more likely). They have a 32% greater risk of wheezing illness and 97% greater risk of suffering from breathing problems at night.
- **Cardiovascular disease**
 - It has been estimated that 9% of hypertension in Scotland could be prevented by maintaining indoor temperatures above 18°C.
 - Increased plasma fibrinogen levels and factor VII clotting during winter account for a 15% and 9% rise in coronary heart disease, respectively.
 - A 1°C drop in living room temperature can lead to a 1.3mm Hg rise in systolic blood pressure and a 0.6mmHg rise in diastolic blood pressure in people aged 65-74.
- **Mental ill health.**
 - Living in cold and poor-quality housing has been linked to persistent worries about affordability, concern about physical health, higher levels of depression and worry, and chronic thermal discomfort.
 - NATCEN found that 10% of people suffering from a Common Mental Disorder (CMD) were not able to keep their homes warm enough during the winter.
 - Children, young people, and parents have been shown to be especially at risk. More than 1 in 4 adolescents living in cold housing are at risk of multiple mental health problems, compared to 1 in 20 adolescents who have always lived in warm housing,^[vi] and parents living in fuel poverty are between 1.5 and 1.8 times more likely to develop depression than parents who live in a warm home.^[vii]
 - Poor quality cold housing has also been linked to several negative mental health consequences for children, such as stigmatisation, social isolation, and feelings of helplessness, which can negatively impact on educational attainment and social mobility.^[viii]
- **Sickle Cell Disease.**

- Comfortable temperatures for someone with SCD range from 20°C to 30°C, though those on low incomes may struggle to afford to meet the cost of maintaining a healthy temperature at home.
- **Issues with Nutrition.**
 - Cutting back on food spending to meet the cost of paying for energy can lead to malnutrition, poor infant weight gain, and adverse impacts upon other health conditions such as tuberculosis (TB) and diabetes.

NEA strongly believes that warrant installs should be strictly prohibited in the licence for all these groups.

Equivalence for Smart Meter Remote Switching in the Licence

While a prepayment meter is defined as “*any Electricity Meter operating in a mode which requires a Customer to pay Charges in advance, and references to the installation or removal of a Prepayment Meter includes the switching of any Electricity Meter to or from such a mode*”, implying that smart meter remote mode switching is equivalent to a legacy prepayment meter install, we believe that two changes to the licence are needed to clarify this, and strengthen protections.

Firstly, Ofgem should either make all references in the licences to prepayment meters explicitly related to smart meters as well or issue their expectations regarding the definition above to suppliers in written form, to ensure that all suppliers are aware that the licence makes no separation for legacy prepayment installs and smart prepayment mode switching in general.

Secondly, the licence currently does not provide equivalent protection for unconsented legacy prepayment meter installations (i.e., warrant installs), and unconsented smart meter mode switches. Ofgem must improve the licence so that any protections give for installations under warrant are extended to smart meter mode switches that happen without customer consent. There is no material difference in outcomes between the two procedures for the customer, therefore there should not be a difference in protections offered.

Ensuring that ban on warrant prepayment meter installations does not end prematurely.

NEA welcomed Ofgem’s request to pause the use of warrants to install prepayment meters in February 2023, and the subsequent voluntary pause from suppliers across the market. However, this protection will only last until the end of March, and it is difficult to see how the overall picture has changed by that point. There is a significant risk that come April, we return to the practices that we saw before the pause. This would be unacceptable in a market where debt levels had already reached £2.5bn even before this winter. Using the forced installation of prepayment meters with rules that have not been updated as a mechanism to recoup that debt could leave thousands at risk of self-disconnection. We hope that Ofgem agree that this outcome would be unacceptable.

NEA therefore proposes that the pause be in place until two conditions are met:

1. Confidence is regained that suppliers are following the rules set by Ofgem. This condition could be met by the completion of the compliance review, with fines and compensation given where appropriate.
2. Confidence is regained that the supplier licence is clear and meets expectations regarding being prescriptive. This condition could be met through following through with our proposals above.

If these two conditions are met, we feel that it would be appropriate to allow suppliers to restart their warrant related activities, as long as Ofgem continues to monitor the warrant process to root out licence breaches.

Answers to the Call for Evidence

Q1: Does Ofgem have the right balance between principles-based regulation (Standards of Conduct and Vulnerability Principle) and prescriptive rules (SLCs, guidance) to guide suppliers when installing or remote switching to PPMs? Please explain.

No, NEA does not believe that Ofgem has the right balance between principles and prescription.

In the gas and electricity supplier licences, there is currently a principles-based approach taken throughout. For the installation of prepayment meters, this manifests itself in a principle that a supplier must ensure that a prepayment meter is safe and reasonably practicable for the customer before it is installed. While guidance exists, it is only the licence itself that is enforceable, and energy suppliers have taken differing approaches to their interpretation of what 'safe and reasonably practicable' means. Some have taken it to mean that prepayment meters cannot be installed where no member of the household can physically top the meter up. Others take some vulnerabilities into account. It is clear from recent interactions that some consumer groups and charities have another, different understanding of this licence condition - that it prohibits installations of prepayment meters where any harm could be felt by the household as a result. It is not clear what Ofgem's interpretation of this part of the licence is, and therefore these differing interpretations will persist without prescription, leaving a lottery of how a customer is treated.

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We therefore urge Ofgem to explicitly set out in the licence the expectation of suppliers when it comes to being safe and reasonably practicable. Without such prescription, the current lottery of protections will persist. Suppliers should not be able to compete by offering different protections to different types of customers with regards to their own debt recovery/revenue protection strategies. That is a matter that should be clearly set out by the regulator.

Q2: Should there be prescriptive processes and questions suppliers must seek to answer before progressing to PPM in the debt journey? Should this be set by Ofgem?

Yes, Ofgem should be more prescriptive about the processes that suppliers must seek to answer before progressing to PPM. This prescription should exist for both the legacy prepayment journey and the smart prepayment journey, and have equivalent protections for both, e.g., face to face contact should be required before the final switchover is made.

Q3: SLCs 27 and 28 require suppliers to only install PPM if safe and reasonably practicable and Ofgem published updated guidance on it in 2016. In your view is the term "safe and reasonably practicable" still sufficient or should this be changed?

No, as above, this part of the licence is not prescriptive enough and should be changed to make it clear to suppliers the types of customers that Ofgem does not want to see prepayment installations for.

Q4: Should we expand the list of vulnerable characteristics for which customers should never have PPM force-fitted or (if on a smart meter) forced-remote switched? If so, what additional characteristics should we include in our guidance, and why?

Yes.

The electricity and gas licences already prohibit warrant installs in households where such installations “*would be severely traumatic to that Domestic Customer due to an existing vulnerability which relates to their mental capacity and/or psychological state and would be made significantly worse by the experience.*” as part of SLC28B.1. This is welcome prescription in the licence but must be built on. In particular, the protections for those with ill mental health should be complemented with equivalent protections for those with physical health conditions that make them particularly vulnerable living without access to heat and/or power (that can occur because of a self-disconnection, whether for affordability reasons or not)

The conditions that we believe are most vulnerable to the potential impacts of self-disconnections are⁴:

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- Poor quality cold housing has also been linked to several negative mental health consequences for children, such as stigmatisation, social isolation, and feelings of helplessness, which can negatively impact on educational attainment and social mobility.^[viii]
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Q5: Should we require suppliers to assess financial vulnerability when assessing whether a PPM is safe and reasonably practicable? Please explain.

Yes.

There are two ways by which a customer can end up with a smart meter; Either fully through their own choice, because, for example, of the budgeting opportunities offered. Or because it has been offered by the energy supplier as a debt recovery mechanism.

In either instance, an assessment of financial vulnerability is key. For those households that choose a prepayment meter by choice, that assessment would enable the supplier to have a high-quality conversation with the customer about the risks associated with a prepayment meter, including self-disconnection if they cannot afford to top up. That would help the household to make a more informed decision on whether to go ahead.

Regarding debt collection, this assessment should already be happening as part of the ability to pay process in setting the debt repayment level. If this assessment is not currently taking place in these circumstances, NEA believes this to be a licence breach.

Furthermore, such an assessment would help determine the scale of risk a customer might face if financial vulnerability is coupled with a health vulnerability (which should also be assessed as per our suggestions above). This would help decide about whether it is safe and reasonably practicable to install a meter.

Q6: Should the licence or guidance more clearly clarify that installation of PPM under warrant is a 'last resort'?

Yes, this should be clear in the licence. Guidance is not appropriate for such a commitment given its lack of enforceability.

Q7: Our disconnection rules stress specific characteristics to be considered ahead of disconnection. Are these characteristics sufficient to account for the vulnerable circumstances being seen today?

No, NEA believes that these protections should be extended to households that have a health condition that makes them vulnerable to the cold, as per our answer to question 4.

Q8: Do you consider that the rules for legacy and smart prepayment are appropriately aligned to ensure sufficient and equivalent protection, no matter the meter type? If not, what changes should be made?

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Q9: Suppliers are responsible for the acts of their contractors and their compliance with relevant licence conditions, but should we consider specific guidance for suppliers on how they manage third parties involved in the installation of PPMs?

Yes, guidance would be useful in this instance. However, the licence itself must explicitly state that the responsibility remains with the energy supplier if the contractor does not adhere by the licence conditions.

Q10: Are there any other proposals you have that would support PPM customers? Please explain the proposal and provide evidence if available.

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References and Notes

¹ For more information visit: www.nea.org.uk.

² NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

³ [UK Fuel Poverty Monitor 2020-21, NEA, 2021](#)

⁴ [UK Fuel Poverty Monitor 2020-21, NEA, 2021](#)