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13 March 2024

Dear Mr Sergeant,

Re: Petitions Committee report "A Warmer Winter P-06-1326"

I am writing to you regarding the recent Petitions Committee report "A Warmer Winter" that concerns the use of involuntary prepayment meters (PPMs). We are grateful to the Committee for undertaking this work and have addressed each of the recommendations that concern Ofgem in the response appended to this letter.

I would like to apologise for the delay in responding to this report and would be happy to discuss these recommendations further if required by the Committee.

Kind regards,



Tim Jarvis
Director General, Markets

Petitions Committee report "A Warmer Winter P-06-1326"

Ofgem Response

This response addresses the Ofgem recommendations contained in recent Petitions Committee report "A Warmer Winter". We are grateful to the committee for undertaking this work. Protecting the most vulnerable from unfair practices goes to the heart of our work, and we welcome this report.

Ofgem regards the use of involuntary PPMs as an intervention of last resort. We have taken action to protect the most vulnerable by expanding the categories of customers for whom a PPM must never be installed, in addition to strengthening the protections for customers who do not fall into these categories.

The protections in the Involuntary PPM Code of Practice – initially a voluntary interim measure – are now a mandatory part of the supply licence, and if breached can lead to enforcement action and fines. In addition to these increased protections, we are adjusting standing charges for PPM customers to be aligned with standing charges paid by DD customers which would mean that PPM customers do not face additional costs for their use of energy just because they use a PPM.

We also regularly meet with Welsh Government and a wide range of other stakeholders and will continue to listen to concerns that may be raised about this and other issues related to the energy market.

Our response to the recommendations that concern Ofgem is as follows:

Recommendation 4. WG should work with the UK Government and Ofgem to ensure there is greater clarity about who has the power to instigate a freeze on fitting prepayment meters. That power should sit with a named individual (in Ofgem, and/or the relevant Minister in the UK Government).

Response: Accept in principle

The current legislative framework means that Ofgem cannot completely ban PPMs or ban them indefinitely. That power is a matter for the UK parliament, as it requires changes to legislation. Suppliers have the statutory power to install PPMs granted under the Gas Act 1986 and the Electricity Act 1989 and can secure rights of entry under warrant granted by the Rights of Entry (Gas and Electricity Boards) Act 1954. The legislative framework gives Ofgem broad licence modification powers to introduce conditions we consider requisite or expedient (whether or not relating to the activities authorised by the licence), having regard to our principal objective and general duties. The legislative framework also gives Ofgem very broad licence modification powers which we have used in various ways to control how and when suppliers install PPM.

However, Ofgem does not think a universal and absolute ban would be in customers' best interests, as many customers find PPMs a helpful and effective way of managing their spend on energy. Smart PPMs can also help suppliers identify customers that are self-rationing/self-disconnecting, allowing them to offer support more quickly. Ofgem must also balance competing priorities – PPMs can play a role

in preventing excessive debts, which would if not repaid would be passed on to all energy consumers.

Recommendation 5. Ofgem should monitor the impact of the Code of Practice – with particularly focus on those at the upper and lower age limits. Specifically, we are concerned the 65-75 age group who do not enjoy the maximum protection afforded to those over 75, and households with pre-school children older than the 2 years old cut off. The Committee was surprised and disappointed that these age-based limits were not more generous.

Response: Accept

Ofgem's development of the Code of Practice was undertaken with extensive engagement with a variety of stakeholders and balances our responsibilities to protect the most vulnerable consumers with our responsibilities to ensure that debt levels do not reach excessive levels that would risk suppliers failing (with the costs of this falling on all energy consumers). The committee should also be aware that as well as the groups for whom no involuntary installations of PPMs should ever be undertaken, the new rules also include further protections for additional groups of consumers. These are set out in the 'further assessment needed' (FAN) category.

These include, but are not limited to:

- Households with children 5 and under.
- Other serious medical/health conditions (such as neurological diseases (Parkinson's, Huntington's, Cerebral Palsy), respiratory conditions, nutritional issues (such as Malnutrition) and mobility limiting conditions (Osteoporosis, Muscular Dystrophy, Multiple Sclerosis).
- Serious mental/developmental health conditions (such as clinical depression, Alzheimer's, dementia, learning disabilities and difficulties, Schizophrenia).
- Temporary situations (such as pregnancy, bereavement).

Suppliers must assess the ability to pay of any household they know or have reasonable cause to believe has a personal circumstance or characteristic that falls under the requirement for FAN, to understand if the customer will be unable to afford their ongoing energy needs.

If a supplier concludes (considering meter type, aftercare support and reasonable energy saving assumptions) that the household will, frequently or for prolonged periods self-disconnect and there is a risk of causing significant consumer harm, then the supplier must consider PPM to be not safe and reasonably practicable.

Suppliers are also encouraged to ensure that PPM installation is safe and reasonably practicable for any household with adults over 65 and/or children under 16.

Ofgem intends to periodically review the rules to check that they are succeeding in their objective of protecting the most vulnerable without unsustainably increasing bad debt, which would add to customer bills. We are approaching supplier restart cautiously and have been explicit about the rules in place and our expectations on suppliers. Our market compliance review work is ongoing and enhanced monitoring

is in place for suppliers that have been allowed to restart the process for Involuntary PPMs.

We will work closely with stakeholders, including consumer groups and charities, to ensure that we continue to receive evidence on any breaches of the supply licence and the consumer outcomes of the PPM protections.

Ofgem will also continue to monitor suppliers' behaviour closely to ensure they are complying with the spirit and letter of these rules. If that is not the case, we will not hesitate to take action.

We have always been clear that the moratorium was voluntary and temporary, and that there are instances where involuntary PPMs are a legitimate last resort for energy suppliers to recover debt from customers, which would otherwise have an impact on everyone's bills. Suppliers have a statutory right to apply for a warrant of entry to install PPM meters for collection of outstanding debt. However, the involuntary installation of PPMs is a difficult decision and one where we've strengthened the rules to balance our statutory objective to protect consumers, suppliers' ability to manage debt, and the possibility of increased bad debt that other consumers would need to pay for.

Recommendation 7. Ofgem should work with energy suppliers to monitor how decisions on vulnerability are made, and by whom. Debt-collection companies, whose primary interest is the recovery of debt, should not be the decision makers when it comes to deciding who is vulnerable

Response: Accept in principle

Ofgem's Consumer Vulnerability Strategy sets out our priorities until 2025, which includes improving identification of vulnerability and the support services that must be offered to those identified as vulnerable. For energy suppliers, we have introduced a vulnerability principle, which makes delivering fair outcomes for vulnerable consumers an enforceable obligation.

We conducted a market compliance review on how suppliers support customers in vulnerable situations in 2022/23. Suppliers need to have clear governance, policies, procedures, and training in place to ensure they meet their obligations under their Supply Licence. These conditions include proactively identifying and recording customers who are in a vulnerable situation, and offer services to support them, within a Priority Services Register (PSR).

We reviewed suppliers on information they provided to us on how they manage customers in vulnerable situations as part of the review. Where we identified weaknesses in the governance, policies, and procedures, or where there was not adequate information provided in response to our request to assure us, we have required suppliers to take action to address this.

Suppliers are required to make every effort to identify vulnerable customers before applying for and seeking to exercise warrants for involuntary PPM. Suppliers are also required to assess for vulnerability in customers in the 'further assessment needed' category outlined in our response to the previous recommendation.

Suppliers are also required to attempt contact with the customer via multiple channels and conduct site welfare visits.

In circumstances where suppliers have attempted contact via multiple channels and conducted a site welfare visit but have been unable to establish with certainty the level of detriment in association with medium risk characteristics and/or financial assessments, suppliers should apply their own discretion on progression to involuntary PPM, noting that any move to PPM may need to be reversed if vulnerabilities are subsequently discovered in the household.

If the customer has not engaged despite several attempts at contact, a debt collection agency may visit the household and identify any vulnerability. In those circumstances a debt collection agency is required to cease any actions being undertaken should they discover circumstances that a reasonable person would consider demonstrate the customer is vulnerable (and the non-engagement could itself be considered evidence of vulnerability). Energy companies are responsible for the actions of such agencies, and we would expect them to emphasise this when engaging with such agencies.

In instances where a supplier has made the commercial decision to write off unrecoverable debt, the debt collection agency who has purchased the debt will manage consumer vulnerability in line with relevant industry Codes of Practice. Ofgem does not regulate debt collection agencies, but we encourage suppliers to use FCA-authorized debt collection agencies and use Enforcement Conduct Board accredited agents.

Ofgem continues to work with other regulators and engage with stakeholders on our protections for vulnerable customers and welcomes the wider debate on how to drive-up standards in debt collections across the board.

In addition to these recommendations, we are also aware that many stakeholders have asked questions about how customers using PPMs can switch back to other payment methods and the role that credit checks can play in this process.

Our licence conditions (27.1) require a supplier to offer a range of payment methods once a debt has been repaid. Suppliers can run a credit check and are able to request a security deposit (which must be a reasonable amount) from customers with low credit scores. Suppliers must behave in a fair and transparent manner, making this process easy for customers.

I hope the committee finds this information helpful, and once again would like to thank you and the committee for this work.