

Prepayment rules and protections - a call for evidence

Response from Citizens
Advice to Ofgem



citizens
advice

March 2023

Introduction

Citizens Advice welcomes this call for evidence on enhancing protections for prepayment meter users. In assembling our response we have drawn on the following sources:

- Our existing body of public reports relating to prepayment meter consumers, principally *Out of the Cold* (2022)¹ and *Kept in the Dark* (2023)².
- Bespoke analysis of data from the Citizens Advice Consumer Service, covering the week of the 13th to the 19th of February 2023.
- A call for evidence from Local Citizens Advice services, seeking evidence of harm to prepayment customers in early February 2023.

In this response, unless otherwise stated, when we reference forced movement to prepayment we are referring to both forced installations of prepayment meters and remote switches of smart meters to prepayment mode.

Summary of key recommendations:

- We are concerned that the existing moratorium on prepayment meter installations and remote switches is due to expire at the end of March 2023. Ofgem's MCR on prepayment is not due to report until later in the year. We are concerned that forced installations will resume before Ofgem's review is complete and the regulator can be confident that suppliers' processes are safe and appropriate. The voluntary moratorium should be extended at least until the MCR has reported.
- Detailed guidance should supplement existing principles-based regulation. Enforcement and monitoring will be vital to ensure that these changes deliver meaningful and lasting improvements in supplier's actions and in outcomes for consumers.
- Currently, suppliers work on the assumption that there is no vulnerability in the household until proven otherwise. This principle should be reversed. Suppliers should assume that there is vulnerability in the household until they can be confident that there is not.

¹ Citizens Advice (2022) [Out of the cold: Helping people on prepayment meters stay connected this winter](#)

² Citizens Advice (2022) [Kept in the dark: The urgent need for action on prepayment meters](#)

Question 1: 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?

The impact of the cost of living crisis has tested the current regulatory arrangements and the ability of industry and the regulator to respond to the changing needs of energy consumers. As we outlined in our Kept in the Dark report, the impact of high energy prices and the wider cost of living crisis has meant that the risks associated with force fitting a prepayment meter are more significant, given the likelihood that the household may disconnect frequently because of affordability issues.

On paper, current regulations have the potential to effectively safeguard the needs of energy consumers who are on prepayment meters, or may be placed on them. But they have not been effective to date, with significant numbers of consumers forced onto prepayment meters without due care and attention, and on many occasions without suppliers following the rules.

It is unacceptable that the needs of prepayment customers have been ignored for so long, and that compliance with the rules has not been rigorously enforced. Principles-based regulation could ensure that suppliers protect consumers from longstanding and emerging risks (such as box-ticking approaches to meeting consumer needs) and take innovative approaches to addressing consumer protection, but only if those principles are applied in practice. Adequate market monitoring and compliance activity is key to this. Given recent evidence of failures in the application of prepayment rules, significant remedial action is needed to ensure that customers are protected.

Citizens Advice has been calling for a Consumer Duty in energy retail regulation since our *Market Meltdown* report early in 2022³. The current rules are highly reactive, process-oriented, and raise significant challenges for consumers, the regulator, and advocacy groups seeking to hold energy suppliers to account. SLC0 and the 'safe and reasonably practicable' licence conditions are ambiguous, and enforcement action has been insufficient to ensure consumers are protected.

As we demonstrated in *Market Meltdown*, existing rules around prepayment customers (including offering prepayment tariffs once suppliers exceeded 50,000 customers and offering support to customers who struggle to pay their bills) were frequently broken by

³ Citizens Advice (2022) [Market Meltdown: how regulatory failures landed us with a multi-billion pound bill](#)

suppliers in the years before our report was published. Ofgem had not opened a formal enforcement case into rules related to prepayment in the preceding three years⁴.

In the short to medium term, **principles-based regulation needs to be accompanied by more detailed guidance on high risk areas, including PPMs.**

This is because the current processes allow too much scope for suppliers to behave in an inconsistent manner, which in some cases, has resulted in serious consumer harm. To ensure that cultural change has bedded in, **we would expect enforcement and monitoring action ensuring compliance with current rules and guidance to be delivered as a priority.**

⁴ Citizens Advice (2022) [Market Meltdown: how regulatory failures landed us with a multi-billion pound bill](#) page 22

Question 2: 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?

Forced movement to PPMs should only be considered as a last resort, and only when suppliers are confident that prepayment is safe and appropriate for the customer in question. Our research and casenotes clearly demonstrate that suppliers have failed to adhere to these principles, leading to significant consumer harm.

For example:

Max⁵ lives with his partner and their two children who are under the age of 5. Max and his partner both have a number of health conditions. After falling behind on his energy bills, Max engaged with the supplier to set up an affordable repayment plan to deal with the debt on his account. However, due to banking issues Max's direct debit was cancelled. When Max contacted his supplier to set up the direct debit again, they said he needed to pay nearly double his initial amount.

The supplier failed to set up the direct debit which triggered a PPM being installed due to non-payment of debt. Max was not given any information about the prepayment meter until after it was already installed. The family was left with no electricity or heating, and when he went to his supplier for help, they refused due to the debt on his account.⁶

As this case study indicates, debt and vulnerability customer journeys are inextricably linked in customer journeys, especially during the current cost of living crisis. We expect suppliers to verify that their debt collection journeys meet the standards of the vulnerability guidelines in full. Given its importance and the potential consumer detriment, assurance of this verification should form part of Ofgem's ongoing market monitoring activity. We would also expect enforcement action to result from clear process failures.

We do not want to lose the benefits of principles-based regulation. However, given the level of non-compliance with existing guidance and the severity of the consumer harm in the PPM segment of the market, we would support the provision of more explicit guidance for the customer debt journey. This guidance should include meeting the needs of customers with regard to their ability to pay, as well as the safety and appropriateness of forced moves to PPM or remote switching smart meters to prepay mode.

⁵ All names have been changed.

⁶ Case study from Citizens Advice detailed case analysis conducted in February 2023.

It is vital that more detailed guidance is backed up by a more robust approach to enforcement. Citizens Advice has provided Ofgem with clear evidence that suppliers were not adhering to existing guidance on a number of occasions since early Autumn 2022. This was not met with meaningful action by the regulator until it came under significant political and public pressure as a result of widespread news coverage of our *Kept in the Dark*⁷ report and the Times investigation into the actions of Arvato, acting on behalf of British Gas. The introduction of new guidance must be accompanied by comprehensive monitoring by Ofgem and swift enforcement action where breaches of this guidance and the underlying principles are identified.

⁷ Citizens Advice (2022) [Kept in the dark: The urgent need for action on prepayment meters](#)

Question 3: 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?

The benefit of the ‘safe and reasonably practicable’ principle and guidance should be that it permits suppliers to assess suitability for prepayment meters on a case-by-case basis, and to consider vulnerabilities beyond those which are explicitly listed in the guidance.

Unfortunately, our casework and research have clearly shown that the SLCs and guidance are not always followed in practice, and that there are unacceptable levels of variation between suppliers.

Our cost of living dashboard shows that people with disabilities or long-term health conditions are disproportionately unable to top up their prepayment meters⁸. Our representative survey, conducted in December 2022, found that of the more than 4.1 million households with a PPM:

- Over 2 million, or 49%, include at least one child (aged 0 to 18)
- Nearly 230,000, or 6%, include a baby (0 to 12 months)
- Over 730,000, or 18%, include a child aged 0 to 4 years old
- Over 1.6 million, or 39%, include someone who is disabled or has a long-term health condition.

Of the more than 1.35 million households with a prepayment meter who were cut off in the past year because they couldn’t afford to top up:

- Over 560,000, or 14%, included someone who was disabled or had a long-term health condition.
- Over 850,000, or 21%, included a child between 0 and 18 years old.
- Nearly 340,000, or 8%, included a child aged 0-4 years old⁹

These are groups who should not be moved onto prepayment meters under the current rules, and who may experience disproportionate harm as a result of self-disconnection.

As a result, we expect Ofgem’s MCR to reveal widespread non-compliance with the existing safe and reasonably practicable SLCs and guidance. Some of these individuals may have moved into properties which already had a PPM fitted, or have been moved onto a PPM before their existing vulnerabilities were present. However, we would still

⁸ Citizens Advice (2023) [CA cost of living dashboard](#) disability breakdown

⁹ Survey data based on a representative poll of 4,384 adults (18+) in the UK conducted by Yonder Data Solutions for Citizens Advice, fieldwork conducted between 6th and 15th December 2022. Figures have been rounded.

expect suppliers to be working to identify where existing PPM customers are in vulnerable circumstances and offer appropriate support, including moving them onto a credit meter where necessary. Our evidence suggests that this is not currently happening.

In our most recent case analysis in February 2023, we uncovered a number of examples which demonstrate serious failures to adhere to the 'safe and reasonably practicable' SLC. For example:

The client is on the Priority Services Register as they are reliant on a breathing machine. They've been off-supply for both gas and electricity for over 24 hours, as they can't afford the cost of energy. They've contacted their supplier a number of times for assistance and been refused.

Another example submitted by a Local Citizens Advice service (which is likely to date to before the forced PPM installation moratorium) shows how the SLCs have been ignored with regard to forced installations:

Bailiffs from a supplier broke the client's door to install a prepayment meter. The client had to be taken to hospital in an ambulance as a result. The supplier has since paid compensation. Their actions caused the client undue stress and panic. The client was already on the supplier's PSR.¹⁰

Our internal case analysis in February 2023 found that in 86% of cases, the client was in contact with their energy supplier, and that 85% of cases showed some evidence of vulnerability.¹¹

It's clear from these examples that some suppliers are failing to use even the PSR data to determine vulnerability, and many are failing to proactively identify vulnerability in the homes of people they are forcing onto prepayment meters.

Our concerns were already sufficiently developed in October 2022 to issue an additional Request for Information to suppliers, which revealed substantial variation between suppliers. We were particularly concerned to see one major supplier decide to run a pilot to remove site visits before force fitting a PPM. Another supplier created their own hierarchy of vulnerability to replace Ofgem guidance, which excluded non-medical vulnerabilities (such as having young children) from their processes on additional care and attention ahead of remote switches of smart meters to prepayment mode. This has made us concerned that a culture may have developed in some suppliers, where the vulnerability guidance and the SLCs are not treated sufficiently seriously.

¹⁰ Evidence form submitted by a Local Citizens Advice service in February 2023.

¹¹ The internal case review conducted in February by Citizens Advice used a sampling methodology. The sample reviewed for evaluation of identification of vulnerability and the sample for evaluation of contact with your energy supplier.

We feel that the 'safe and reasonably practicable' wording within the SLCs has the potential to be strong and of benefit to consumers. But outcomes for consumers have been so poor that the term and associated guidance should be revisited. We must ensure that the culture at suppliers changes to take safety, practicality, and vulnerability seriously, and believe that it can only be changed through proactive and reactive enforcement of the rules. When Ofgem does revisit these SLCs and guidance, it is absolutely critical that this is paired with strong and proactive enforcement.

Question 4: 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 installation of a PPM includes the threat of disconnection, which means that there are people in vulnerable circumstances for whom a PPM is highly unlikely to be safe. Under regulations in the water sector, there is no right for suppliers to disconnect consumers, reflecting the clear risk to the health and safety of consumers of being disconnected from their water supply. Energy sits alongside water as an essential for life service and our research clearly demonstrates unacceptably high rates of disconnection amongst PPM users, with significant impacts on their mental and physical wellbeing. It is therefore appropriate to revisit the fundamental question of whether forced PPM installation, with the inherent risk of self-disconnection, is appropriate.

In the interim, it is clear that the burden of proof in establishing vulnerability within a household will need to be shifted. At the moment, suppliers assume that vulnerability is not present unless proven otherwise. This assumption should be reversed. Suppliers should be required to act as if vulnerability *is* present in the household until they can prove that it is not. This would help to prevent the cases we see today where people in vulnerable circumstances are slipping through the net and being forced onto PPMs when it is neither safe nor appropriate to do so.

For example, in our *Out of the Cold* report, we highlighted the following case study:

Sheema is a single mum of a young baby. She has a number of long-term health conditions and is currently on maternity leave. She contacted her supplier to set up a repayment plan, explaining that she needed help. The next day, Sheema was remotely switched to a prepayment meter, and her electricity supply had been disconnected. She wasn't able to boil the kettle to make bottles for her baby and spent the night in the dark.¹²

Suppliers should be conscious that vulnerability can fluctuate, and a previously safe PPM installation can become inappropriate - for example when a condition deteriorates, or when a customer now has a young child. As a result, there's a clear need for reactive and proactive contact between the supplier and their customers to determine whether PPMs remain safe and reasonably practicable on an ongoing basis. Clear language around fluctuating vulnerabilities should be included in any revised guidance.

Based on the demographics and casenotes of people who are contacting Citizens Advice about self-disconnection and forced PPM installations, we would like to see the following characteristics reinforced within existing guidance. This would ensure that

¹² Citizens Advice (2022) [Out of the cold: Helping people on prepayment meters stay connected this winter](#)

suppliers are giving particular consideration to consumers for whom the following circumstances apply:

Safety

- Where the consumer or a member of the household has a long term health condition or disability which is exacerbated by lack of access to energy (in line with Ofgem and NICE guidelines). This includes mental health conditions.
- Where an alarm system which requires a continuous supply of electricity is in place for the welfare of the resident(s), such as those used for elderly people using a carer alarm or survivors of domestic abuse.
- Where a child under the age of 16 is living in the property - the harm that cold homes can cause to the development of a child ranges from impacts on educational attainment to severe medical impacts¹³, and the risk of these impacts cannot be ignored.

Practicality

- Where practical barriers to topping up are present, including: digital disadvantage contributing to an inability to top up online; distance from a top up point and physical inability to reach a meter due to a disability.
- Where there is a lack of access to the meter (e.g. it is located in the basement of a flat where the customer doesn't have unrestricted access).

In addition, we would like to stress that force-fitting or remote switching of PPMs should not occur without the involvement of trained staff who can identify vulnerability at the property. This should involve a site visit in cases where the supplier is unable to satisfy itself that there is no vulnerability in the household. High risk activity such as installing a PPM under circumstances where there are clear indicators of vulnerability, or installing a PPM for theft, must mirror the process of disconnection for debt.

Self-disconnection and changes in top-up behaviour are particularly valuable points at which to engage with the consumer. It is very difficult for suppliers to do this with traditional PPMs due to the lack of available data from these meters in comparison to the data available from smart meters. Suppliers should therefore be required to prioritise prepayment meter replacement in the smart meter rollout and only install traditional prepayment meters where it is either not possible to install a smart meter or the consumer has refused one. Ofgem should collect and monitor data on traditional PPM installations, including the reason why a smart meter could not be installed.

¹³ Institute of Health Equity (2022) [Fuel Poverty, Cold Homes and Health Inequalities in the UK](#), page 17

Question 5: Should we require suppliers to assess financial vulnerability when assessing whether a PPM is safe and reasonably practicable? Please explain.

Yes. Energy is an essential service, and must be treated as such by suppliers and Ofgem. If financial vulnerability is not appropriately assessed by suppliers when determining whether a PPM is safe and reasonably practicable, then self-disconnection is likely to occur. This is especially important in the current cost of living crisis, which is driving huge demand for support services as increasing numbers of energy customers cannot afford their bills.

- 63% of respondents to our nationally representative polling who had disconnected in the last year said that the disconnection had a negative impact on their mental health.
- 47% told us that it had a negative impact on their physical health.¹⁴

In addition, without assessments of financial vulnerability for prospective PPM customers, suppliers will not be compliant with the ability to pay requirements because they won't be setting debt repayments correctly. Incorrect or inflexible debt repayment thresholds are a significant driver of hardship and harm for customers, particularly during the current cost of living crisis.

We have previously highlighted concerns with suppliers about inflexible and unaffordable debt repayment plans provided by default to customers, and remain highly concerned that personalised assessments are not always being used to tailor debt repayments to individual circumstances. In our *Kept in the Dark* report, we shared the following case study:

Sandra missed a few payments due to her daughter's illness, so her supplier has told her that they are switching her to a prepayment meter due to the debt balance on her account. She told her supplier that she has been on a prepayment meter before - she will struggle to top it up and it's not suitable due to her daughter's illness, as the medication she needs for her condition needs to be refrigerated. Sandra has contacted her supplier and has tried to make a payment plan numerous times. She wrote down all her outgoings and explained how much she could pay a month to pay off her debt. But her supplier would not help her set up a payment plan that she could afford and is moving her onto a prepayment meter in the next few days.¹⁵

¹⁴ Survey data based on a representative poll of 4,384 adults (18+) in the UK conducted by Yonder Data Solutions for Citizens Advice, fieldwork conducted between 6th and 15th December 2022. Figures have been rounded.

¹⁵ Citizens Advice (2022) [Kept in the dark: The urgent need for action on prepayment meters](#)

We estimated that 600,000 people were forced onto prepayment meters for debt in 2022 and the scale of self-disconnection was unprecedented. 27,500 people had sought help from Citizens Advice in 2022 because they were unable to top up their prepayment meter - more than we helped in the previous ten years combined.¹⁶ The Extra Help Unit recorded their highest-ever number of priority cases in December 2022.

Recent Fuel Bank Foundation research has shown that 65% of people who came to them for support had already switched off their heating and were living in the cold.¹⁷ Moreover, our research found that 1 in 3 (33%) people on prepayment meters had disconnected at least once in the past year because they could not afford to top up. This equates to more than 3 million people, or 1 person every 10 seconds.

It is highly likely that prepayment meters forced upon customers without ability to pay assessments are driving these very high levels of self-disconnection. We therefore believe that the process should be subject to the same governance processes as disconnection.. We would expect Ofgem to be closely monitoring the number of self-disconnections and forced PPM installations (including remote switches) with the expectation that they would be as minimal as disconnections for debt.

Requiring suppliers to assess financial vulnerability within their assessment of whether a PPM is safe and reasonably practicable would likely make a substantial difference in protecting potentially vulnerable consumers from the harm of self-disconnection.

We believe that these measures are a necessary and proportionate response to the current cost of living crisis, which is exposing the cracks in the prepayment system. The fact that these requirements are already present under the ability to pay processes add additional weight to the imperative that they must be incorporated as soon as possible.

¹⁶ Citizens Advice (2022) [Kept in the dark: The urgent need for action on prepayment meters](#)

¹⁷ Fuel Bank Foundation (2023) [Fuel Bank Fuel Crisis report](#), page 11

Question 6: Should the licence or guidance clearly state that installation of PPM under warrant is a 'last resort'?

Any forced move to prepayment, whether a smart meter remote switch or a warrant installation should only be considered by suppliers as a last resort. Self-disconnection is a frequent consequence of forced moves to prepayment. We would therefore like to see forced movement to prepayment treated with the same seriousness as disconnection by suppliers.

We would also like to see further examination by Ofgem of supplier processes around switching customers to prepayment as a consequence of failing to engage with their supplier. While we acknowledge that it can be frustrating for suppliers when they fail to reach customers, we are not convinced that proceeding with force fitting of a PPM is an appropriate or proportionate response in all cases.

Failure to engage can be an indicator of medical conditions such as a mental illness, or could simply indicate that the customer is away from the property (in hospital for example). The rules and guidance should make clear that vulnerabilities should be assumed to be present unless the supplier can ascertain otherwise. This should prevent forced movement to PPMs as a consequence of failure to engage.

Question 7: 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?

We would have more confidence in the existing rules if we were not seeing such extensive evidence of harm to vulnerable consumers from the inconsistent application of rules governing vulnerability. For example:

The client has a fuel debt with their supplier, who had a smart meter fitted and switched it to prepayment mode because of the outstanding debt. The client keeps self-disconnecting, but needs electricity for a nebuliser due to asthma. They have been hospitalised recently due to asthma. They also suffer from a number of other health conditions. The client has four children under the age of 13 and is in receipt of UC and PIP.¹⁸

While disconnections are rightly very rare, we would argue that forced movement to prepayment can constitute disconnection under some circumstances. The identification of financial vulnerability and the early, consistent, and ongoing identification of non-financial vulnerabilities could be sufficient without adding new characteristics into the rules.

However, Ofgem's recent Market Compliance Review on consumers in vulnerable circumstances, and the context around it, suggest that energy suppliers have considerable work to do in order to demonstrate their compliance with the existing rules governing their interactions with vulnerable consumers.

As a result, we would like to see the characteristics listed in response to question 4, above, considered in addition to the existing list covered under the disconnection rules.

¹⁸ Evidence form submitted by a Local Citizens Advice service in February 2023.

Question 8: 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?

No, we do not consider that the rules are appropriately aligned to ensure sufficient protection for both sets of consumers. While smart meters offer many benefits for consumers, and particularly in some circumstances for prepayment customers, there are a number of challenges around their specific operation for prepayment customers which suppliers and Ofgem must work to overcome.

Citizens Advice has been raising concerns about remote switches for smart meters to prepayment mode since July 2022 with Ofgem¹⁹. We are highly concerned by cases and reports that suppliers have used remote switches to bypass appropriate vulnerability assessments. We have highlighted numerous cases to Ofgem and in our public reports which demonstrate that for some customers, the first they knew of their switch to prepayment mode was when their power went off.

Ofgem must ensure that the rules for smart and legacy prepayment meters are aligned. It should not be possible for suppliers to undermine public confidence in smart meters by relying on an easier forced switching process, and we are concerned that the actions of some suppliers may have already done substantial damage to the reputation of the smart meter rollout.

Smart meter data on self-disconnection should be monitored closely by Ofgem and by suppliers to ensure that they are providing appropriate support to prepayment meter customers. We would like to see significant regulatory compliance action in this area to ensure that suppliers are undertaking vulnerability assessments and engagement processes for both legacy PPM installations and smart meter remote switches. This must include site visits for both processes. Where suppliers have not followed the rules, Ofgem must take enforcement action.

¹⁹ Money Advice Trust (July 2022) [Debt charities call on Ofgem to “ramp up” protection for people with energy debt](#)

Question 9: 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?

The 'customers in payment difficulty' Market Compliance Review, which was published by Ofgem on September 27th 2022, set out regulatory expectations for all suppliers in managing their relationships with customers in payment difficulty. The programme also produced personalised action plans for energy suppliers, with the majority of suppliers found to have minor or moderate issues with their processes, governance, information supplied to customers or training given to staff. British Gas was found to have 'no significant issues'.

The Market Compliance Review made explicit that suppliers are expected to ensure that:

*'Debt recovery actions are always fair and proportionate. Do not escalate debt recovery actions too quickly and ensure third party representatives, such as debt collection agencies, abide by the same regulatory obligations and treat customers fairly.'*²⁰

3 months later, a third party contractor working on behalf of British Gas was captured on video forcibly entering the houses of vulnerable people to install prepayment meters. It's alleged that debt collectors working for the company were financially incentivised to fit as many PPMs as possible.

It's clear from this example that the 'customers in payment difficulty' MCR failed to ensure that energy suppliers have adequate processes in place to monitor the behaviour of their third-contractors and make sure that they are abiding by regulatory standards. The contractor in question worked for other energy suppliers beyond British Gas. Information received in response to a Statutory Request for Information suggests that more than 80% of the domestic retail market contracted Avarto for debt collection or forced prepayment meter installation services. Ofgem's prepayment MCR must explore whether similar practices are occurring at other suppliers.

Suppliers must be held accountable for the actions of their contractors and in future Ofgem must consider consumer outcomes alongside the policies and processes suppliers have in place. Given the clear failures in existing arrangements suppliers have in place for managing third-party contractors, additional guidance in this area would be appropriate.

²⁰ Ofgem (2022) [Regulatory expectations on supporting customers in payment difficulty](#)

Question 10: Are there any other proposals you have that would support PPM customers? Please explain the proposal and provide evidence if available.

Ofgem should consider whether it is still appropriate that PPM customers pay a higher standing charge than those with credit meters. This disparity was originally based on the cost of administering a legacy prepayment system in parallel with the credit system. As we exceed 50% smart meter presence in the domestic market, across both credit and prepayment meters, this cost is diminishing. As a result, higher standing charges may be less justifiable today, particularly given the financial hardship many prepayment customers are facing.

We are also concerned that the information suppliers are required to provide to potential prepayment customers in relation to the benefits and risks of prepayment compared to other payment methods may not be sufficient to allow consumers to make a fully informed choice. Ofgem should therefore look into what information is being provided, and in what format. We believe this information should include the fact that the standing charge is higher for prepayment, that it can be difficult to smooth payments over the year to reduce the increase in energy use over the winter months, and that debt repayment rates must be agreed between suppliers and the consumer.

Question 11: Should we explore load limiting?

- a) What are your views on load limiting as an alternative to disconnection or self disconnection? Would you support the introduction of load limiting?

- b) Have you completed any work that considers this option? What are your views on the technical feasibility? Where possible, please include information on any testing and assurance completed to date and IT/DCC adapter support capability.

Measures with the goal of ensuring that consumers can never be fully off-supply are worthy of consideration and we welcome the regulator's decision to evaluate load limiting in this context. We have not yet undertaken an in depth analysis of the benefits and risks of load limiting. However, we have made some initial considerations, taking into account existing research, international experiences and the feasibility of introducing it in Great Britain. Our primary concern is that suppliers are not yet in a position to fully understand the vulnerability of their customers and ensure that load limiting is introduced safely and fairly. On this basis, load-limiting is unlikely to be appropriate in the current market.

If the introduction of load limiting were to be given consideration, a number of important questions will need to be addressed, including:

- With no way to implement load limiting for gas, would gas customers retain supply but risk continuing to run up large usage debts? Or would there be an examination of limiting gas access by some other means e.g. time of day?
 - How would this be handled equitably compared to those consumers who use electricity for heat?
- How would it be implemented for consumers with appliances like heat pumps which require consistent energy flow to operate optimally and maintain a warm home?
- How would the minimum acceptable amount of energy be decided and what variables would need to be taken into account (e.g. house size, number of occupants, weather, house energy efficiency, previous consumption patterns, appliances in the home)? It would be vital that any threshold be set high enough that homes can be heated and powered to a safe and comfortable level, including for those consumers with conditions that require a certain level of warmth.

Establishing which consumer groups load limiting would never be appropriate for would be crucial. For example, it is unlikely that load limiting would not be safe or appropriate for those with medical equipment that requires a consistent energy supply. Given the extensive and significant issues we already see in the market, where energy suppliers have inappropriately forced consumers in vulnerable circumstances onto prepayment, this would need to be made clear from the outset with robust and swift enforcement for any breaches.

As load-limiting is only possible with smart meters, particular care would need to be taken to ensure that it does not further damage the reputation of smart metering or smart prepayment. Smart prepayment is a far superior product for consumers because it enables increased ways to top up, easier addition of support credit and increased ability to identify and support consumers who are struggling.

If load-limiting were implemented without robust protections in place, or if thresholds are set too low and consumer experience is poor, any negative sentiment toward the policy is likely to be associated with smart meters, potentially risking consumer trust and uptake. Recent attention around the remote switching of consumers to prepayment without need of a warrant has resulted in an increase in concern about smart meters in general both from consumers and campaign groups. It would therefore be important not to create a similar issue with any load-limiting policies.

Question 12: Please provide any suggestions for actions that Ofgem can take to further drive the PPM smart meter roll out. Please consider all possible options, including, for example, restrictions on warrant costs recovery for traditional PPM installations

We agree with the sentiments expressed in the consultation document that smart PPM is a superior product for consumers compared to legacy PPM. We therefore welcome moves to ensure that more prepayment consumers are on smart prepayment. Restricting, or banning entirely, warrant cost recovery for traditional PPM installations may help dissuade suppliers from installing older, less useful prepayment meters and may potentially disincentivise suppliers from seeking warrants in all but the most urgent cases, both of which would be beneficial for consumers.

We continue to hear from consumers who come to local Citizens Advice or contact us via phone who want smart meters and cannot get them for reasons which include property type, area and supplier limitations. We would therefore support a push from Ofgem to ensure that suppliers are doing everything they can to accelerate smart meter installation.

However the proposed intervention focuses solely on incentivising energy suppliers to fit more smart meters. We are concerned that not enough focus is being placed on ensuring that consumers want and trust smart prepayment and smart meters in general. We have recently seen a significant increase in contacts from consumers who do not want a smart meter - rising by over 340% between November 2022 and February 2023.

While not all consumers share the same reasons for objecting to smart meters it seems clear that trust in smart metering has been damaged, with a particular narrative emerging among consumers and in the media that smart meters represent a loss of control for consumers. Concerns about smart enabled remote mode switching and disconnection without a warrant, "surge pricing" and recent rule changes that allow suppliers access to detailed consumer usage data for most purposes without consent all form a part of this.

It's notable that where consumers see benefits of smart we also see an increase in positive attention, for example, recent Time of Use trials using smart meters appear to have increased interest among some consumer demographics.

Incentivising suppliers to fit smart meters is therefore only half of the picture. There is a crucial need to reassure consumers that they will benefit from them, that robust

protections are in place and that consumer needs will be reflected in policy decisions concerning smart. For prepayment the following policies may help:

- A requirement that suppliers have talked to (meaning two-way communication not simply 'contacted') the consumer or their relevant nominated carer before they are able to remotely switch them to prepayment and are confident that the consumer has understood the conversation. This should include a requirement to visit the home to speak to the consumer when a supplier has not been able to have a conversation by other means that satisfies them that prepayment will be safe and appropriate for the household.
- A requirement that suppliers be confident that prepayment is safe and appropriate for the consumer. This includes establishing any issues around accessibility of meters and the ability to access top-up facilities. Current supplier policies operate on an assumption that it is safe and appropriate to switch someone to prepay unless the customer says otherwise. This should be reversed with an assumption that it is not appropriate until the supplier is satisfied that it is safe.
- Strong commitments by suppliers to ensuring that their communication channels and engagement methods are appropriate for their customers. Digital disadvantages can place energy consumers at real risk of missing communications, and suffering associated harm²¹. Suppliers should not make assumptions about appropriate communications - even if customers manage their accounts online then suppliers should still be using multi-channel approaches to ensure that information is getting through.
- A clear customer journey for reverting a smart switch to prepay mode back to credit mode when an issue is identified or a consumer's circumstances change.
- Suppliers are still obliged to also allow for cash top-ups. In many cases suppliers only provide a means to do this when specifically requested, which sometimes results in consumers assuming they will receive a key or card and then going off-supply without one. Suppliers should be required to offer (as opposed to provide on request) a means to top up by cash.
- An obligation to check that the customer is topping up and payments are going through with follow-ups if there is any indication of self-disconnection or other related issues with the new payment system.

²¹ Citizens Advice (2022) [Access Denied: Digital disadvantage and exclusion in the energy market](#)

Requirements like these, if appropriately enforced, will help reassure customers that they can engage with smart meters and receive the benefits they provide, while being protected from the risks. Increasing the amount of smart prepayment will require suppliers to fit more smart meters. It is important that consumers have the confidence to engage with these meters safely and effectively.

Question 13: Should Ofgem try to reduce / eliminate the gap between PPM and direct debit tariffs, recognising that this is likely to result in non-PPM tariffs rising slightly? What would be the best way to achieve this, whilst ensuring that suppliers can recover their costs of serving PPM customers?

The Chancellor's recent announcement that from the end of July 2023 consumers on prepayment will not pay more than those who pay via direct debit means that the core question is now how, rather than whether, to implement this change²². We support the underlying intention as noted in our response to question 10. However, careful consideration will need to be given to the distributional impacts of this policy change. In particular, it should not lead to an increase in the bills of customers who pay by standard credit - a group which already pay more than prepayment meter customers.

²² The Guardian (2023) [Extra costs for customers on prepayment meters to be scrapped in budget](#) 11th March 2023

Question 14: Should we consider introducing a requirement for suppliers to provide PPMids to consumers? Should this be universal or provided in select circumstances? How might the costs be recovered?

We support introducing this requirement. Giving consumers the easiest access to all the functionality their smart prepayment meter allows should be the default approach. Early in the rollout the decision not to mandate numerical keypads as part of smart meter specifications was made partially on the basis that consumers will have access to PPMids. This promise should be delivered on.

Anecdotally we have heard from some suppliers that PPMids should eliminate the need to ensure that meters are safely accessible to consumers - we do not agree with this view as they will still not entirely eliminate the need for a consumer to interact with their meter directly in all circumstances, especially where there are connectivity issues or the device itself does not work correctly. While some suppliers will replace IHDs and PPMids when they fail, not all do so consistently. This means that physical access to meters remains crucial.

Citizens Advice helps people find a way forward.

We provide free, confidential and independent advice to help people overcome their problems. We are a voice for our clients and consumers on the issues that matter to them.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

citizensadvice.org.uk



Published March 2023.

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.

Registered charity number 279057.