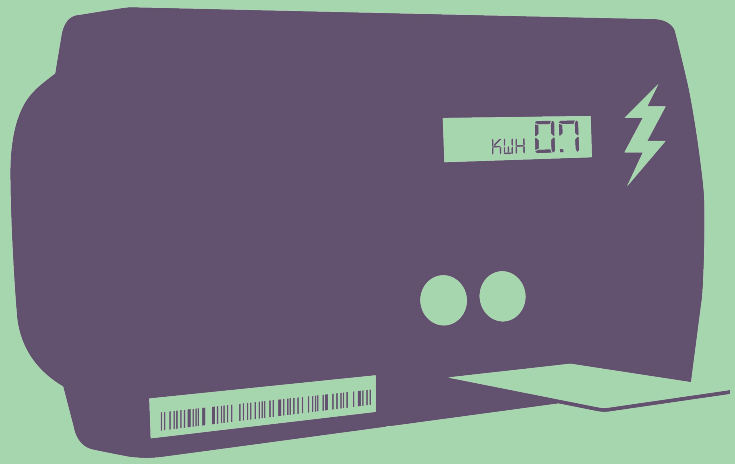
Prepayment & heat networks: learning the lessons

Understanding the experiences of heat network consumers on prepayment meters

citizens advice



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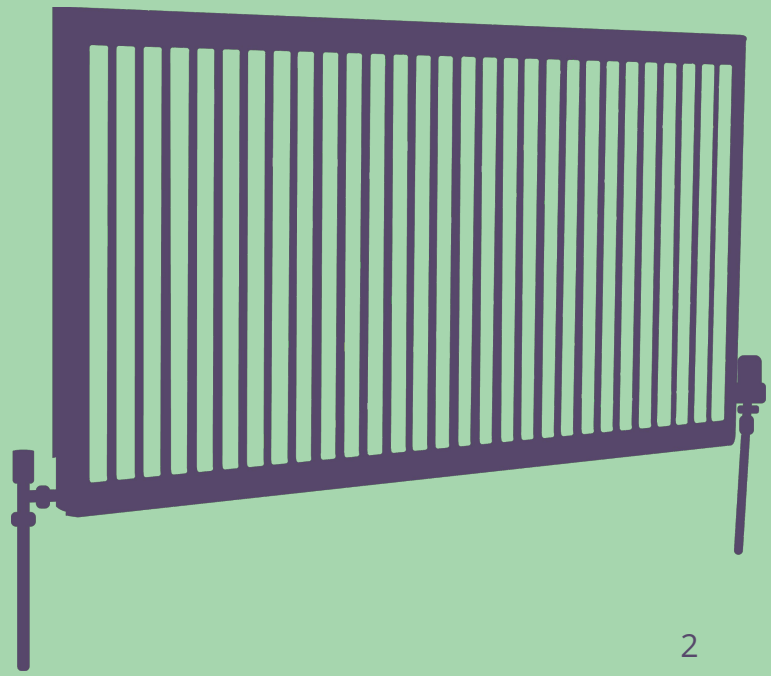


Summary

The experience of customers who pay in advance for their electricity or gas using prepayment meters (PPMs) is well researched[1] and understood[2].

In order to meet government targets to decarbonise the way we heat our homes, the proportion of households served by heat networks (including district heating and community heating) is expected to grow from 2% of households to 1 in 20 by 2030[3].

It is inevitable that people living in homes served by heat networks will be using PPMs (either by default, by choice or as a debt repayment option). Following the 2018 CMA market study, Government has confirmed that it is minded to regulate the heat network market. It is essential that Government and the regulator understand the experiences of all consumers on heat networks, including those using PPMs, to ensure any future regulatory regime is fit for purpose.

Citizens Advice is the statutory consumer advocate for energy consumers. We commissioned Future Thinking to carry out research to:

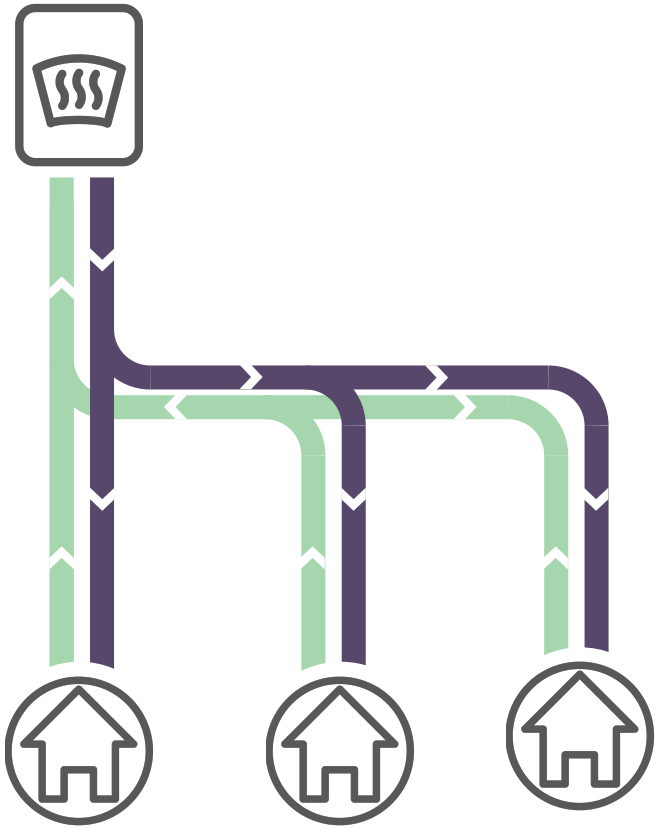
- Understand the PPM experience for heat network consumers.
- Explore areas for future improvement and regulation in the heat network sector.

Key Recommendations

1. **All consumers know how to get help and redress when something goes wrong.**
2. **Consumers understand how their heating system & meter work.**
3. **Smart prepayment meter users must be offered an In Home Display (IHD).**

What is a heat network ?

Heat networks deliver cost effective, low carbon heat in the form of hot water or steam from one central source which is distributed to residential and commercial buildings through a system of insulated pipes.



There are currently around 14,000 heat networks across the UK supplying approximately 450,000 domestic customers connected to a heat network[4].The number of these domestic customers on prepayment meters is unknown, although the Heat Trust scheme estimates that around 8% of their customers on heat networks are on prepayment meters.

1. An energy centre produces heat. This could be through fossil fuels, like gas or oil, renewable sources, like biomass or a heat. Some heat networks capture the heat produced by industrial processes or electricity generation.

2. Heat in the form of hot water is delivered through a local network of insulated pipes. Another set of pipes returns cooler water to the energy centre.

3. A heat exchanger transfers the heat from the heat network to the network of pipes in the home. This is used to heat radiators and provide hot water, for example for baths and showers.

What we know already

Heat networks are currently unregulated and consumers lack basic protections and can suffer from high bills and poor customer service. Consumers are frequently unaware of what they are paying or what their bills cover and are unable to switch suppliers to get a fairer deal.

In July 2018, the Competition and Markets Authority (CMA), recommended that heat markets should be regulated. Citizens Advice welcome the CMA's announcement and support the idea that we need a regulated heat market.

Having a regulated heat market was considered essential for the majority of heat network consumers who responded to our research[5].

Data from our consumer service

Contacts we receive through our consumer service show that heat network consumers are experiencing varying levels of consumer detriment due to a lack of regulation in the sector.

We receive contacts relating to heat networks through our local offices as well as our general and energy consumer helplines.

The top issues people contact us about includes: pricing, billing errors, information and advice, contract issues and maintenance issues.

Most common issues for our consumer service

Billing Errors

Consumers can sometimes struggle to receive regular bills when moving into a new property or the supplier can fail to bill them regularly resulting in high back billing or incorrect bills.

Standing Charges

Consumers are often confused around standing charges, and this can leave some consumers feeling trapped and unable to reduce their heating costs due to high and increasing standing charges.

Information & Advice

Consumers that contact us express confusion around their heating system, how it works, what rights they have, how bills are calculated and where to go if they have a complaint or need redress. for complaints or resolutions.

How was the research carried out ?

This research was undertaken by Future Thinking, who carried out the research at four different heat network sites across the UK: Wales, Scotland, London and the Midlands. The background of each site is detailed in the table below, two sites were signed up to the Heat Trust voluntary scheme, whilst two were not.

They conducted a total of 21 in depth interviews with people across all four sites. Initial screening questionnaires were used first to identify residents that used prepayment meters.

Recruitment criteria for participants at each of the following sites followed - a mix of gender, life stages, age, socio-economic groups, all soley/jointly responsible for energy payments, range of heavy and light usage. This criteria was used to get a mix of experiences of all consumers.

Site	Participants	Heat Trust?	Tenure	Property Age
1	6	✓	Housing association	Over 10 years (with recent refurbishments)
2	4	✗	Local authority	Over 10 years
3	5	✗	Housing association	Over 10 years
4	6	✓	Local authority (3) Private owners (2) Private rental (1)	Under 2 years

Self-Disconnection

In the past consumers in vulnerable circumstances in the gas and electricity market have struggled to afford to top up their prepayment meters resulting in self-disconnection.

Self-disconnection is defined as interruption to supply by consumers using pre payment meters (PPMs) because of a lack credit on the meter or account. Research on this issue over the years has led to a number of significant improvements in the support on offer to these consumers[6].

An associated issue is 'self-rationing', where customers limit either energy/heating use to save money, or restrict spend in other areas to ensure sufficient funds are available to keep the PPM topped up[7]. Self-disconnection and self-rationing can have significant consequences for the health and wellbeing of consumers.

Types of prepayment meter and payment options

The payment options varied across respondents but were dependent on the meter functionality. Participants in this research had one of the following three types of meters.

- **Non-smart meter/Token meter**- only able to pay at paypoint (in post offices) to top up - use key to top up meter -only able to see remaining balance *(used on one site).*
- **Smart meter with an In Home Display (IHD)**- given card with unique account number. Able to use this at a pay point, via phone, or app or website -can monitor usage and previous payments *(used at two sites).*
- **Smart meter without IHD-** given card with unique account number. Able to then use at pay point, via phone, or app or website -only able to see remaining balance *(used at one site).*

Heat Trust

Two sites in this research were members of the Heat Trust's voluntary consumer protection scheme. The Heat Trust is a not-for-profit company and members of the scheme are required to allow customers to access Ombudsman services for settling complaints[8]. The scheme sets out a common standard in the quality and level of customer service that heat suppliers should provide their customers.

The scheme sets out the following requirements:

- Support for customers in vulnerable circumstances and heat supplier obligations
- Heat customer service and reporting a fault or emergency
- A process for customers joining and leaving
- Heat meters and heat interface units (HIUs)
- Heat bill and heat charge calculations and bill payment arrangements and the management of arrears
- Suspension and resumption of service processes
- Complaint handling and independent complaint handling
- Privacy policy and data protection

Who did we speak to?

These 3 case studies provide example of the sorts of issues people using PPMs to pay for heat told us about.

All names in this report have been changed to protect identities.

Irene is 76 years old, and has lived in her home for more than 40 years. She has type 1 diabetes, osteoarthritis and has high blood pressure, so she needs to keep warm for health reasons.

'I'd like it if the supplier could give me a phone call, and if they could let you know that the systems going to go off in a couple of days. Especially for the elderly and people with healthcare problems."

Irene struggles to know what to do when things go wrong and feels like she is the last to know from her supplier what's going on. She would like to be told in advance if she is going to lose her heating and hot water.

David and Sonia are struggling financially and have two school-age children. Sonia works part-time at the hospital and David is unemployed.

David and Sonia struggle to understand their payments and the energy rates on their network. This makes it difficult to plan their spending and budget.

'We can't afford it. I've got a good job, but with all the other bills you can't afford it. Like now, for instance, it's Thursday, I've put £40 in the meter and it's gone again by Saturday, I would have put another £20 in, so that's £60 to heat this house and we probably have it on two hours a day."

Charlie is 23 years old and lives alone, having moved out of his family home 6 months ago. He struggles with his mental health, is currently unemployed and on benefits.

Charlie's heating can be unreliable and he has been charged when it wasn't working. When he followed this up, he wasn't refunded and found the experience frustrating. He has a sense of resignation towards the situation.

'I called the company, I said 'The heating has gone down but I've left it on thinking the heating will come through to my radiators, basically I lost all my credit.'

Key findings:
Prepayment meter issues

People living on a heat network and paying by prepayment meter had concerns about three main areas.

Accessibility

The location of meters varied across participants, with some meters put in hard to reach locations. Consumers felt like they had no choice or input in deciding the placement of their meter.

If a meter can't be seen or accessed its harder for consumers to monitor their use and spending. This leads to self-disconnection because they aren't aware they need to top it up.

People with smart meters and an IHD told us they liked the device because they didn’t need to physically check their meter.

In Home Display

Very few of the people we spoke to had an IHD.

People with smart meters and no IHD did not know that they could top up using online websites or apps.

Experiences from the smart meter rollout have proven that an IHD is useful to help people understand how much energy they are using[9]. This allows consumers to regulate their usage, helping them to make changes to improve energy efficiency, saving money and energy.

Information

Everyone we spoke to had differing experiences of being given information by their heat network provider.

Some participants had been shown how to use their PPM by an engineer, housing officer or sales person whilst others had not, however the majority had not been told about the different ways they could pay.

People told us they would like more proactive support and guidance from suppliers.

Key findings: Heat network issues

Understanding a heat network

People told us:

- They don't understand what it means to get heat and hot water from a 'heat network'.
- The information they did get was confusing - theould would like a better explanation about what they can and can't control.
- They want to better understand what the benefits of being on a heat network are.

Heat network users who had been told about the environmental benefits of heat networks felt more positive about being on the system and were less concerned about their inability to switch suppliers.

Consumers on heat networks that are members of the Heat Trust scheme had a better understanding of how it works and what the benefits are. Most people understand the concept of 'community heating' i.e. a single source of heat for multiple homes and those in new builds had attended educational events hosted by the supplier.

People who are on networks that are not members of the Heat Trust mostly understand they're part of a heating community but lack information and guidance. This was felt particularly strongly when people first move into their homes and need information and advice from their heat provider.

Getting communication right

People's positive perceptions of heat networks increased with the level of direct interaction from their heat network supplier. People preferred face to face communications and a more tailored approach from their supplier.

They were less engaged and positive about the written communications they had received. People lacked the inclination or ability to engage and digest the written communications from their suppliers especially when it was a generic mail out.

Some heat network users were unhappy about the communications received when they moved onto a prepayment meter. Poor communications had reduced their overall satisfaction levels and increased concerns about their perceived lack of control. Poor information provision from suppliers in this process also fed into perceived lack of control and satisfaction.

Educating and engaging consumers through the transition process whilst they switch to prepayment meters helps to alleviate concerns & increase satisfaction.

Key findings:
Heat network & PPM issues

Support for consumers

- People told us they were not given notice if their system was not working. They continued to top up and were charged for having their heating 'on' even when the heat network was not working.
- Many were not offered compensation, despite having no access to heat or hot water for 24 hours.
- Some heat network users told us that they cannot contact their supplier over their weekend if they lose their top up card, and had to self disconnect as they had no other top up options.

Prices & rates

- People told us they find it difficult to understand their rates on a heat network when using a PPM, meaning they struggle to budget as it can be hard to understand what they will spend week to week.
- Heat network users told us they feel they are unable to compare their prices to those in the gas and electricity market and therefore feel they are paying more by being on a heat network.

Standing charges

Participants struggled to understand their standing charges across all sites and meter types in this research. There was a lack of transparency across all suppliers about the cost of standing charges. People said it was unclear:

- What standing charges are for
- If standing charges are paid on a daily basis
- If customers are charged even when they're not using their heating or hot water

Self-disconnection

- People that were regularly self-disconnecting were motivated by financial pressures.
- Those on non- Heat Trust sites that were self-disconnecting felt there was a lack of support available from their supplier.
- Many also reported disconnecting involuntarily when they first used their PPM as they didn't understand their usage rates – this was particularly distressing for consumers with young children.

Consumer Journey

The information given to consumers on heat networks varies greatly. This can make a huge difference to the way people interact with their system and keep warm in their homes. Understanding how to operate your heating and where to go for help with unexpected problems can make all the difference to people's wellbeing including those that suffer with poor mental health.

Uninformed Consumer

Sarah moves into her new property, she is given no guidance how to use her PPM, how her heat network works, or who to contact for support.

Sarah doesn't have an IHD, she doesn't understand her energy usage or rates. She only uses paypoint to top up her PPM. She is unaware she can use other payment options.

Sarah feels trapped due to lack of choice with her PPM and feels she pays more being on a heat network. She struggles to keep her meter topped up.

Sarah's PPM breaks at the weekend and she doesn't know who to go to for help. She is disconnected from her hot water and heating for a few days until she manages to contact her supplier. She feels resentment towards her heat network.

One of the sites in this research had provided their residents with workshops when they first moved in. This helped ensure residents understood their payment options and heat network system. They also signposted how to access further support at these workshops and information leaflets were provided.

Informed Consumer

Jack moves into his new property and is given a demonstration how to use his PPM and the payment methods he can use. He attends an informative workshop & understands the benefits of heat networks. He feels positive towards his heat network.

Jack has an IHD and understands his usage and rates, he thinks the charges are clear and transparent. He uses different top up methods for his PPM to fit into his lifestyle.

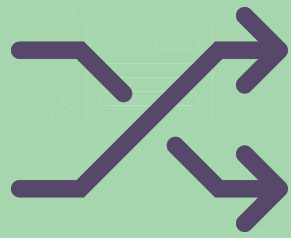
Jack feels in control of his usage and payments. He is able to change his behaviour to reduce his payments and plan his spending.

Jack's PPM breaks at the weekend, he has the details of the supplier's seven days a week helpline, as well as a contact on site to help. He reports it and the problem is fixed after a couple of hours. Jack has access to heating and hot water and trusts his supplier.

Policy recommendation

1

All consumers know how to get help and redress when something goes wrong



Consumers need to know where to go for help and redress when something goes wrong on their heat network. This needs to be clearly communicated to consumers when they first move into their property or when the heat network is first established.

Citizens Advice receives calls to our consumer helpline from people asking for help when their system stops working. They don't know who to contact for support or redress. Suppliers need to ensure that this information is made available via all regular communications with their customers.

People need everything from basic information about how the system works, to what to do if it breaks down or needs maintenance. Support should be accessible to all consumers and should include digital advice as well as recorded messages on supplier helplines outside of their normal operating hours.

Customers should have access to a 24/7 helpline to enable them to report emergency or safety concerns with their system.

Members of the Heat Trust are supposed to have clear processes for the suspension and resumption of services and this must be clearly communicated to customers. If all suppliers put these processes in place, there would be less confusion and uncertainty when problems arise.

Government should place consumer protections at the centre of new regulations for heat networks. In order for heat consumers to have an independent voice and to benefit from the full protections a statutory consumer advocate must be established.

2

Consumers understand how their heating system & meter work

Consumers struggled to understand what a heat network is and how it works. The research found there is a lot of confusion around what consumers are able to control.

Some consumers also struggled to understand their rates and payment options when they were first put onto prepayment meters or were using a prepayment meter for the first time.

Suppliers should proactively inform their customers both about heat networks and PPMs when they move into the property (or when the PPM is first installed).

People also felt more favourably towards their heat network when they learnt about their benefits. Suppliers should make sure these benefits are clearly communicated to help improve consumers' understanding.

Understanding of heat networks tended to be higher amongst customers of networks that are members of the Heat Trust. Some people praised the level of service, sense of safety, and environmental benefits of their supply - a direct result of their supplier proactively communicating the benefits.

Government should ensure the future regulator establishes required communication standards. The regulator should look to best practise established on supplier communications in the gas and electricity market.

Policy recommendation

3

Smart prepayment meter users must be offered an In Home Display (IHD)

This research found that consumers are better able to understand and monitor their usage and spend with an IHD, which in turn helps them budget their energy costs. This can help prevent self-disconnections as consumers are more aware of how much they've spent and how much they will need to spend to continue to have hot water and heating.

Without an IHD, consumers can struggle to work out their consumption, or monitor their payment behaviour. This can leave some households topping up on an ad hoc basis or waiting until they are in emergency credit mode before they top up.

Those with meters that are in difficult to reach locations can struggle to monitor their usage. IHDs help overcome this problem and can help prevent involuntary disconnections.

An IHD also improves the transparency of peoples' heating costs and consumers are able to monitor their spend, this can help people feel less trapped being on a heat network as they are able to have more clarity around the pricing and costs.

Heat network suppliers should have transparent rates and pricing structures so that all consumers, including those on credit meters, understand what they are paying.

Government should consider introducing a requirement to install smart meters on all new heat networks. This would require minimum standards to ensure a baseline of interoperability and consumer functions.

Footnotes

1. Citizens Advice, Topping up or dropping out (2014)

2. Citizens Advice, Staying Connected (2016)

3. Citizens Advice, Consumer Expectation of Regulation: Heat Networks (2018)

4. The Committee on Climate Change: Sectorial scenarios for the fifth carbon budget (2015)

5. Association of Decentralised Energy, Association of Decentralised Energy (2018)

6. Citizens Advice, Switched on: Improving support for prepay customers self-disconnecting (2018)

7. Citizens Advice, Supply and Final Demand (2019)

8. Ombudsman Services, How it works (2019)

9. Delta EE, Smart Meter Benefits (2019)

Acknowledgements

We'd like to thank Future Thinking for working with us on this research project, they've outlined their findings in this separate report.

We would also like to thank the heat network suppliers, housing associations and councils which allowed us to conduct this research on their sites.

Further reading

Citizens Advice, Keeping Warm: The Future of Heat (2019)

Citizens Advice, Response to CMA's heat networks market study (2018)

Citizens Advice, Consumer Expectation of Regulation: Heat Networks (2018)

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