

# Topping-up or dropping-out: self-disconnection among prepayment meter users

Dhara Vyas

October 2014



## Contents

Executive summary	2
Background	7
Introduction	10
Who uses a PPM?	13
Why do people have PPMs?	15
How do suppliers monitor whether PPM customers are topping up?	16
Why do consumers self-disconnect?	19
What do suppliers do when there is known vulnerability or a consumer tells them that they cannot afford to top-up?	24
Bureaux and client interaction with energy suppliers	26
How suppliers work with third party organisations to support the consumer	29
Information, help and support for consumers struggling to pay	36
The impact of changes to welfare	38
Conclusion and recommendations	40
Annex 1: Citizens Advice Bureaux survey details	47
Annex 2: Main six suppliers PPM contact numbers	48
Appendix 3: Consumer Demand	48

## Executive summary

The essential nature of energy for warmth, light, to cook and ensure health and wellbeing must not be underestimated. It is important that when a prepayment meter (PPM) is fitted consumers know how to use it, and can afford to keep it topped-up.

Over time it has become accepted that disconnection from energy supply should only take place as a last resort. Since 2002, the statutory energy watchdog has regularly worked with Ofgem and suppliers to closely review debt and disconnection policies and strengthen protections for consumers. As the number of consumers paying for energy via a PPM continues to increase, there is greater potential for self-disconnecting and endangering the health and welfare of the household.

Energy bills have risen much faster than inflation: our analysis shows that the average dual fuel household bill increased by 112 per cent between January 2005 (£594) and January 2014 (£1,257) even after allowing for reductions in the average level of consumption in that time.

A 2013 report for the Local Government Association assessing the impact of welfare reform found that household income will reduce by £1 for every £7 of benefit income and that these reforms will fall more heavily on working households.<sup>1</sup> A recent Citizens Advice report<sup>2</sup> considers why welfare reform should matter to creditors and utility companies, and explores the well-established link between long-term reliance on benefits and debt problems for low income families. The Citizens Advice Service anticipates that this problem will become more entrenched over the next two or three years, and that creditors are likely to find that customers who were previously on the brink of financial difficulty – but just about managing to pay their bills on time – are tipped over the edge into financial difficulty. Similarly, customers who were already in financial difficulty but maintaining an agreed repayment plan may need to renegotiate arrangements based on their adjusted household income.

Changes to the welfare system more widely also result in less support for those experiencing temporary or permanent hardship (for example crisis loans are no longer available). Energy suppliers have been attempting to support consumers who cannot afford to pay due to changes in benefit. There is a significant question mark over where the energy suppliers' responsibility ends: the energy market cannot address the issue of poverty, and it is a matter for Government to decide whether the supply of energy as an essential commodity will continue to be supported.

The combination of falling incomes and rising prices means that the group of consumers self-disconnecting due to constrained incomes might have grown and those who were already self-disconnecting could be suffering greater detriment.

---

<sup>1</sup> T Wilson, G Morgan, A Rahman, L Vaid: The local impacts of welfare reform, Local Government Association and Centre for Economic and Social Inclusion, August 2013. <http://bit.ly/1cQtinl>

<sup>2</sup> <http://bit.ly/1oxiAZh>

Evidence from the Citizens Advice Service's Extra Help Unit also suggests that falling incomes and recent benefit changes are resulting in higher numbers of customers seeking their help because they cannot afford to top-up their PPMs.

In 2013 Consumer Futures, Citizens Advice and Citizens Advice Scotland initiated work to update research and knowledge about affordability and the reasons why a significant minority of people who self-disconnect do so because they simply do not have the money to top-up their PPMs. We feared the changes to benefits, meant some PPM users are likely to have suffered further declines in their income. In 2013 we:

- carried out an omnibus survey which replicated a number of the questions asked in the 2010 research to understand whether and how PPM consumer experiences and attitudes had changed
- commissioned a qualitative research report, drawing on the experience and views of Citizens Advice Bureaux clients and advisers who have experienced self-disconnection
- made a statutory information request to energy suppliers about process and monitoring arrangements for PPM customers.

This report brings together those three pieces of research and is a joint report by Citizens Advice and Citizens Advice Scotland (hereafter referred to together as 'The Citizens Advice Service'). It makes four key recommendations (see below) and details the next steps that need to be taken by Ofgem, Government and industry. The report identifies challenges faced by the Citizens Advice Service, which plays a key role in providing direct assistance to many consumers as well as informing and empowering countless others:

## **1. Monitor and understand how consumers use their PPM**

---

It is essential that suppliers aim to achieve a better understanding of how their PPM customers use their meter now, in order to identify and address how they can target help and support. It is imperative that a PPM is only fitted where it is safe and reasonably practical for the customer to use it. The suitability of the meter/payment type should be regularly reviewed.

There is significant disparity among suppliers in relation to monitoring top-up and actions taken when a customer stops topping-up their meter. We have identified a clear need for some minimum, industry-wide service commitments to PPM customers who are off supply. Current best practice by some suppliers includes monitoring known vulnerable customer accounts more closely, and moves to contact these consumers more quickly.

The Citizens Advice Service will work with suppliers and Ofgem to facilitate the development of some minimum commitments for PPM customers. The number of PPMs fitted is increasing at a fast pace, and it is essential that self-disconnection does not become a 'norm' for more customers, putting families and households at risk.

## 2. Prepare for changes to the welfare system

---

The changes to the welfare system and benefit reform have not yet been completely rolled out across the country, and we are aware that the full impact is yet to be felt.

Energy suppliers can help to ease this transition by familiarising themselves with the changes and proactively supporting consumers who are experiencing difficulty and self-disconnecting from energy. This will require greater communication and coordination within the industry as well as between suppliers and third party agencies that support consumers – crucially this must also involve the Department for Work and Pensions (DWP) and jobcentres.

The Citizens Advice Service recommends that the industry body and small supplier representative work together to ensure a consistent approach and minimum levels of support that will be offered to consumers who are experiencing problems paying for energy (whether via a PPM or credit meter).

## 3. Consider the unintended implications

---

Our research among Bureaux advisers and clients highlighted that PPM consumers who are self-disconnecting also have other, significant problems and cannot afford many essentials, such as food. In 43 per cent of cases the advisers were referring consumers to food banks, and in 35 per cent of cases clients were also given appointments for debt advice, suggesting they had other significant debts.

The Citizens Advice Service continues to work on changes to the welfare system and the impact this will have. We are working with colleagues from across Bureaux and are very aware of the localised nature and effect of changes to emergency financial support, such as crisis loans and emergency funding.

Energy is an essential service and so the market should work for all consumers. However, there are groups of consumers who are not well served by the market. The regulator must seriously consider whether 'backstop tariffs'<sup>3</sup> or other mechanisms are needed to protect consumers who are so disengaged that no competitive remedy is likely to ever reach them. Paying in advance for energy via a PPM is not always safe or practical, and the continuing suitability of a consumer's payment method must also be regularly reviewed by suppliers when they are alerted to changes in the consumer's circumstances.

---

<sup>3</sup> A backstop tariff, for example priced relative to a basket of other tariffs available in the market, could potentially benefit consumers who are unable to navigate the market as it would be an alternative to participating in the competitive market. The backstop tariff could be designed to apply to certain customers, such as vulnerable groups. Alternatively, a wider backstop could potentially be available to all consumers and could replace the standard tariff in the RMR core proposal. In this context it would essentially act as the backstop tariff to all non-standard tariffs.

#### 4. Prioritise pre-pay options in the smart meter rollout

---

In the longer term, it is essential to build solutions to end the short-term fixes such as providing emergency funds when there is a temporary crisis and a consumer cannot afford energy. There is a key question around where the responsibility lies when a consumer simply cannot afford to top-up their meter to access energy for heat and light. This is a problem that no short-term fix can address, and requires leadership from Government and the regulator about the expectations on suppliers, and where their responsibility ends. We believe that PPMs are not suitable for vulnerable households who regularly self-disconnect. Further debate on this issue to develop longer term solutions for these households is urgently needed. It is essential that the Government takes a lead in this and works across departments to effectively support these customers.

Despite the potential for benefits from smart metering,<sup>4</sup> in terms of the ability to offer improved services such as new top-up methods or additional tariffs, current problems highlight that it is not enough to assume that smart meters will fix the issues that PPM users have. PPM consumers are an underserved segment of the market: characterised by limited innovation, poor service and weak competition. Self-disconnection is the most visible indication of a market that is failing some consumers.

The Citizens Advice Service has highlighted that the experience of PPM consumers is a key factor that should be considered by the Competition and Market Authority (CMA) investigation of the energy market.<sup>5</sup> We are calling on all suppliers to produce consumer offers for affordable and flexible pay as you go tariffs, to improve the service these consumers receive and reduce the prices they pay. The Government and regulator must work together to ensure that the benefits of smart pay-as-you-go are delivered, alongside programmes to improve energy efficiency of homes and opportunities for income maximisation (for example benefits checks). It is essential to ensure that consumers who currently self-ration or are at risk of self-rationing in a way that might endanger their health and wellbeing do not use less energy than is necessary.

---

<sup>4</sup> <http://bit.ly/1tm0C2j>

<sup>5</sup> <http://bit.ly/1qBztsR>

## Key facts

- Around 16 per cent of energy customers use PPMs – we estimate 10.8 million people live in homes that pay for their energy via a PPM.
- The number of PPM users is on the rise – on average 2,278 PPMs are installed every working day; largely driven by debt recovery arrangements.
- Experience from other markets, such as mobile telecommunications, as well as customer research suggests it is not unrealistic to expect up to one third of consumers will be on some kind of prepayment offering once smart meters have been rolled out.
- There was an increase of PPMs installed for reasons other than debt recovery in 2012:<sup>6</sup> this potentially reflects customers seeking greater control over their bills as household budgets tighten, although the installation of the majority of new PPMs remains largely driven by debt recovery arrangements.
- At the end of Quarter two 2013 there were 683,796 PPM accounts repaying debt – this is a 15.5 per cent rise from the same period a year before.<sup>7</sup> Historically there have been wide price differentials between PPM and other methods of payment. While this has reduced since 2010, there remains an £80 pa differential on payment via a PPM and Direct Debit.<sup>8</sup>

---

<sup>6</sup> <http://bit.ly/1IsxIMt>

<sup>7</sup> <http://bit.ly/1B8Eb2Z>

<sup>8</sup> <http://bit.ly/1IDPqwO>

## Background

Self-disconnection and self-rationing<sup>9</sup> of energy by prepayment meter (PPM) customers continues to be a cause for concern. Increasing energy prices and changes to welfare provisions, not least with the introduction of Universal Credit are impacting on all consumers, particularly those with a low income.

While we acknowledge that the majority of PPM users are happy with their meter and indeed may prefer it as a budgeting/lifestyle tool, the Citizens Advice Service is concerned that there is an impending crisis of affordability which is being masked by an increasing number of PPMs being installed.<sup>10</sup> If a customer cannot afford to top-up the PPM they are faced with no choice other than to curtail, self-ration or self-disconnect their supply.

Energy debt issues are linked to the wider challenges of not only energy affordability but also the availability and access to basic bank accounts that can meet the needs of low income consumers, helping them to manage their money and access cheaper tariffs which are usually restricted to Direct Debit payment options. Starting in 2013, some existing welfare benefits began to be phased out and replaced by a new benefits system. Means-tested benefits, such as income-based Jobseeker's Allowance, Working Tax Credit and Housing Benefit, will eventually be replaced by one benefit called Universal Credit. All recipients who are of working age and on certain benefits will eventually have to move to the new system and may have to agree to more conditions to get benefit. These changes may also be contributing to consumers getting into difficulty paying for energy.

In 2010 Consumer Focus<sup>11</sup> carried out a detailed piece of research to understand the way that consumers who pay for energy via a PPM use their meter, pay for energy and interact with the energy market. Following the publication of that research, (*Cutting back, cutting down, cutting off*) Consumer Focus (and its successor Consumer Futures) worked on a number of projects to try and improve consumers' experience and usability of PPMs.

---

<sup>9</sup> Self-disconnection is defined as interruption to electricity or gas supply by consumers using PPMs because the card or key has not been charged and inserted into the meter. An associated issue is 'self-rationing', where customers limit either energy use to save money, or restrict spend in other areas to ensure sufficient funds are available to keep the PPM topped-up. Self-disconnection and self-rationing can have significant consequences for the health and wellbeing of consumers.

<sup>10</sup> P26/27 Ofgem domestic supplier obligations 2012 report (chapter 3). <http://bit.ly/1lsxIMt>

<sup>11</sup> Statutory energy watchdog function:

2002 - 2008: energywatch

2008 - 2013: Consumer Focus

2013 - 2014: Consumer Futures

2014 - to date: Citizens Advice.



In March 2011 the main six energy suppliers [agreed to implement five key principles](#), which were developed following the research.

## Five key principles

1. Use a vulnerability checklist as part of a comprehensive assessment process, to help determine the household's circumstances
2. Take into account changes in a household's circumstances
3. Extend the 'friendly credit' period on all electricity PPMs
4. If the pre-installation check reveals evidence of vulnerability and it is still considered safe and practical to fit a PPM, where appropriate the supplier will commit to carrying out a package of support
5. Commit to improving communication with PPM customers.

In 2013 Consumer Futures carried out research to better understand consumers' 'ability to pay' for energy.<sup>12</sup> Unsurprisingly, the report found that chronic low income is an underlying factor of consumers getting into debt; but often a sudden change in circumstances is the tipping point. The research also identified that nearly half (46 per cent) of consumers in energy debt end up on a PPM. The 'ability to pay' research also found that increasingly energy companies suggest this for those in debt ahead of other options, as it is a guaranteed way for consumers to be in credit to their energy supplier.

We are keen to understand how the PPM customer experience has evolved and developed. Given the changes to welfare and benefits payments since 2010, in 2013 Consumer Futures considered it to be an opportune time to revisit this issue.

The aim of this research is also to understand the impact of our work with suppliers to improve their processes and communication with PPM consumers. This was identified as a key issue in the 2010 research. There was a major drive as part of Ofgem's Retail Market Review (RMR)<sup>13</sup> to improve and prioritise supplier communications with and information for the consumer, but simplified tariffs and information remedies on the bill are unlikely to impact on PPM consumers. With this research the Citizens Advice Service sought to understand the PPM consumer and adviser experience of communications and engagement with suppliers (please see information in box below about our 2010 research project).

---

<sup>12</sup> *Ability to Pay: Exploring the extent to which Ofgem guidelines regarding indebted consumers are followed, from the consumer and debt adviser perspective* RS consulting for Consumer Futures. <http://bit.ly/1pzfVo3>

<sup>13</sup> Ofgem Retail Market Review. <http://bit.ly/1tnq8p7>

## Cutting back, cutting down, cutting off – 2010 research

In 2010 Consumer Focus published [\*Cutting back, cutting down, cutting off\*](#) a research report that considered the experience of self-disconnection among PPM users. It found that up to 1.4 million households had cut off their energy supply in the previous 12 months. Half of these households included someone with an illness or disability and two in five households had children under 16 living there.

The research, carried out for Consumer Focus by RS Consulting, found that 16 per cent of PPM users questioned had self-disconnected at least once in the preceding 12 months. It identified three main reasons for self-disconnection:

- Not realising the meter was low on credit
- Forgetting to top the meter up in time
- Insufficient money available to top-up.

Two of these reasons are more to do with the operation of PPMs – for example top-ups can only be done in relatively small amounts; customers have to visit post offices or PayPoint/Payzone to buy credit. That means that many consumers found that the operation of their PPM sometimes did not fit in with their lifestyle – resulting in self-disconnection.

Following this research we worked on a number of projects to try and improve consumers' experience and usability of PPMs. In summer 2010 Consumer Focus agreed five key principles with the Big Six energy suppliers to improve consumers' experience of PPMs. Consumer Focus also published research undertaken with Accenture looking at how the mandated rollout of smart meters in 2015 can help to improve the user experience of PPMs, through the introduction of features such as top-ups via mobile phone and internet and greater information on usage and account balances via in-home displays.

The third reason was that consumers had insufficient income to top-up the PPM as much as they would like or need to. For these consumers, self-disconnection was much more about insufficient income or cash flow problems.

Consumer Futures wanted to understand whether the changes to welfare benefits have led to an increase in self-disconnection or a change in the way that consumers use, access and pay for energy.<sup>14</sup>

We are aware that the localisation of certain support and budget functions has had an impact on the support available for consumers; for example crisis loans are now managed by the local authority and are no longer ring-fenced. There are numerous local energy affordability/energy efficiency support centres and projects dispersed around the country. These vary in their reach and scope across local and regional areas. The Citizens Advice Service recognises that this has a considerable impact on the ability of energy suppliers and Bureaux advisers to refer, signpost and effectively seek out help and support for their customers.

In 2013 Consumer Futures and the Citizens Advice Service worked together to understand the experience that Bureaux advisers and clients have of self-disconnection from PPMs. At the same time the Citizens Advice Service ran an online survey asking about the experience of those using PPMs and who regularly self-disconnect. We have also looked at supplier processes and monitoring of consumers who self-disconnect, as well as carrying out an omnibus survey to understand whether consumer experiences have changed.

---

<sup>14</sup> <http://bit.ly/1reehb6>

## Introduction

The Citizens Advice Service is keen to understand whether the PPM customer experience has evolved since the 2010 report. Given the changes to welfare and benefits payments since 2010, it is an opportune time to look again at self-disconnection. We wanted to establish whether changes to incomes of the most vulnerable consumers have led to changes in the way that consumers use, access and pay for energy, or indeed an increase in self-disconnections. This report and its recommendations are based on three pieces of research:

### 1. Survey and interviews with Citizens Advice Bureaux advisers and clients

---

The Citizens Advice Service was keen to understand the consumer experience of self-disconnection. So, in order to inform this report, we commissioned qualitative research via a survey of Citizens Advice Bureaux clients from across Great Britain who have experienced self-disconnection, as well as interviews with the advisers who have experience of providing direct support to these clients. As part of the research we conducted an online survey and social media campaign. The research report and response analysis grouped both groups together (Bureaux customers and online survey participants) and called them 'PPM consumers'.

The intention of this research was to achieve a better understanding of how Bureaux debt advisers and other third party advisers identify and support self-disconnecting PPM consumers, and their perceptions of how well suppliers are helping customers who cannot afford to top-up their PPMs. The Citizens Advice Service also sought to understand advisers' perceptions of what support is available locally to clients who are struggling to pay for essential items (like credit for PPMs) in order to help identify what additional support could be provided.<sup>15</sup>

### 2. 2013/14 omnibus Survey of PPM users

---

We surveyed a cross-section of PPM consumers, repeating questions asked in 2010, in order to assess whether there have been changes to the profile / type / number of PPM consumers experiencing self-disconnection since the original research was carried out. This short survey was to give us an up-to-date understanding of how consumers are managing payments through their PPM and the impact self-disconnection has on affected households. The questions and comparisons of 2010 and 2013/14 are available on our website.

---

<sup>15</sup> The full report from the consultant is available on our website, alongside this report.

### 3. Information from energy suppliers

---

In November 2013 Consumer Futures worked with the Parliamentary Energy and Climate Change Select Committee (ECCC) to develop and draft a series of questions about self-disconnection among PPM users. These were sent to the big six suppliers. The responses varied between companies and a consistent theme for most was to focus on vulnerability (with only some suppliers' explicitly including financial hardship or difficulty as part of their interpretation of vulnerability) rather than ability to pay in its own right.

Consumer Futures followed this with a further request for information from suppliers in December 2013 asking about how they monitor customer accounts, interact with customers who cannot afford to top-up their meters and also asked them to detail any other help or support they have available to PPM users who are struggling to pay. We were also keen to hear about any support suppliers have planned for PPM consumers in light of the forthcoming changes to benefits payments and the introduction of Universal Credit.

## Who uses a PPM?

Ofgem collects quarterly monitoring information from domestic suppliers about debt, disconnection, PPMs and help for customers in vulnerable positions. In March 2013 it reported that 16 per cent of electricity consumers and 14 per cent of gas consumers use a PPM.<sup>16</sup>

The 2010 research identified that PPM users are more likely to be on lower incomes than the average energy customer. The annual household income of PPM households was markedly lower than in those households without one. Of those with a PPM, 60 per cent had a household income of less than £17,500 compared to 38 per cent of those without a PPM. In 2010 more than half received some kind of means-tested benefit, or disability benefit, and the main income earner did not have a job in just under half of cases. Over one-third of PPM households were home to someone with a long-term physical or mental health condition or a disability. In 2013/14 we found that 50 per cent of consumers in the omnibus survey were not economically active.<sup>17</sup>

Consumer Futures' 2013 research into energy consumers' ability to pay<sup>18</sup> found that although a PPM was the most common single method of making debt repayments, there are some notable differences in the profile of those who end up paying back a debt via a PPM compared to those who do not. In particular:

- Where the supplier initiated first contact, 54 per cent of consumers ended up with a PPM, compared to 38 per cent of those who contacted the supplier themselves
- Consumers previously paying by cash are much more likely to end up repaying through a PPM (58 per cent) compared to those on Direct Debit or standing order (35 per cent)
- Households where all adults are unemployed are more likely to end up with a PPM (56 per cent) than those with one working adult (41 per cent) or two working adults (35 per cent).

In both 2010 and 2013/14 we found that PPM users who self-disconnect are in the lowest SEG group and therefore likely to have the lowest incomes. In 2010 we found that three-quarters (74 per cent) of self-disconnecting households received one or more state benefit(s) as part of the household income, and PPM households who had self-disconnected were significantly more likely to be receiving means-tested or disability benefits (62 per cent) than those not self-disconnecting (50 per cent).

---

<sup>16</sup> Ofgem, Domestic Social Obligations Monitoring company performance – quarterly reporting. <http://bit.ly/1vCNec5>

<sup>17</sup> PPM households where main earner is not employed, retired or in education.

<sup>18</sup> *Ability to Pay: Exploring the extent to which Ofgem guidelines regarding indebted consumers are followed, from the consumer and debt adviser perspective* RS consulting for Consumer Futures. <http://bit.ly/1pzfVo3>

The 2013/14 omnibus also found that over a third of consumers with a PPM were renting their home from a local authority (44 per cent, compared to 18 per cent of the overall population renting social housing) and 15 per cent were renting privately (compared to 13 per cent of the overall population).<sup>19</sup>

In the 2013/14 survey more than half (54 per cent) of PPM users who have been temporarily disconnected in the last year told us that keeping the meter topped-up and connected is a major concern of their daily lives – up six percentage points from the 2010 survey (48 per cent).

The Citizens Advice Bureaux clients who responded to our survey and those responding to the online survey, were more likely to be female and below the age of 45. The majority also lived in social housing, with 59 per cent renting from either a local council or a housing association. Just 11 per cent owned the property themselves and around half (47 per cent) had children in the household. In the energy industry, the presence of children in a household is usually considered an indicator of vulnerability, due to the essential nature of energy supply and the need for light, warmth and cooking facilities.

During research among Bureaux advisers we found that consumers with mental health issues or learning difficulties were often on PPMs. The survey among clients supported this by finding that 56 per cent either had, or had someone living with them that had, a physical or mental health condition. It is essential that PPMs are safe and reasonably practical for the consumer to use and operate. A physical or mental disability does not preclude a consumer from using a PPM, but it is crucial that suppliers are ensuring that the consumer is able to top-up and stay on supply.

In telephone interviews, several PPM users told us they were estranged from their families and could not turn to them for temporary help when they run out of money. Also, 43 per cent of the households who went to Bureaux for help contained only one adult, with 33 per cent of these households also containing children, meaning that the single adult was often responsible for generating all household income while also looking after the children. The need to regularly top-up the meter to maintain a supply of gas and electricity causes some PPM users in our survey significant difficulties.

---

<sup>19</sup> ONS Housing social trends. <http://bit.ly/1qTKnVd>

## Why do people have PPMs?

The vast majority of PPM users are not using the meter to repay a debt to their energy supplier,<sup>20</sup> and the omnibus research shows that many consumers prefer paying for energy in advance this way, as it helps them to budget and decreases the risk of building up debt.

The Ofgem social monitoring statistics show that in 2012 the majority of **new** PPMs were installed to manage debt and the overall increase in PPM installations was largely driven by the increase in customers entering debt repayment arrangements and the reduction in customers being disconnected directly by their energy supplier for debt.<sup>21</sup> There was also an increase in the number of PPMs that were installed for reasons other than account debt, potentially reflecting customers seeking more control over their energy bills as household budgets tighten.

The survey of Bureaux clients and the online survey, found that PPMs were felt to offer some benefits, most explicitly that they are ideal for budgeting, as they allow the consumer to be in control of how much money they can afford to allocate for energy each week, therefore limiting usage and preventing any unexpected bills.

*“I wouldn’t be able to resist putting the heating on or having a bath if I had a normal meter” PPM consumer*

Both the omnibus research studies found that there has been a decrease (from 28 per cent in 2010 to 17 per cent in 2013/14) in people saying their landlord had installed the PPM and that they can't change it, compared to 2010. We welcome this and are interested in seeking more understanding about why this might be. Perhaps there has been a change in landlord behaviour, or an increase in tenants awareness of the right to choose their own payment method.

---

<sup>20</sup> <http://bit.ly/1lsxIMt>

<sup>21</sup> P27. <http://bit.ly/1lsxIMt>



## How do suppliers monitor whether PPM customers are topping-up?

It is essential that suppliers are able to utilise existing and new technology in order to monitor top-ups by their customers as part of a comprehensive approach to identifying and addressing any potential vulnerability in the household. This should include monitoring immediately after the PPM goes in, as well as some ongoing monitoring post installation. The Citizens Advice Service understands that ongoing monitoring will require some investment, and care will need to be taken around privacy, including agreed controls around how energy consumer data is used. Many of these issues will be addressed as part of the smart meter rollout. Pre smart, we are aware that many PPM users currently have predictable patterns of behaviour.

The Citizens Advice Service urges suppliers to consider carefully how to harness existing technology and consider developing other measures, techniques and tools to establish patterns of top-up, and monitor them in order for suppliers to be alert to potential problems that consumers are having with staying on supply and topping-up the meter. Closer monitoring of energy accounts, including top-up frequency, can also assist in identifying fraud or meter tampering or establishing whether there is an empty property.

In general we think suppliers could, and should, be doing more ongoing monitoring of accounts to understand whether their customers are successfully managing their PPMs. More regular monitoring and customer research to build a picture of the way that different PPM consumers behave is essential. We are aware that some suppliers are already investing heavily in buying and sharing customer data from external companies so they can segment consumer groups, in order to anticipate and respond to their needs. There is an important balance to be struck between protecting consumers' right to privacy and ensuring they are not struggling in silence.

The responses to our information request have highlighted, in general, that suppliers only collect very limited management information about the frequency of top-ups and may only investigate further when a very significant period of time has elapsed. PPM accounts that have been identified and flagged as vulnerable should be monitored closely and action must be taken as soon as a change in top-up behaviour occurs. We are intending to have further discussions with industry and Ofgem about what additional monitoring could be carried out.

The need to improve communication with PPM users was identified and highlighted as a key recommendation in our 2010 work. A commitment to improve communication was also a key principle which the main six suppliers signed up to in order to improve conditions for PPM users.<sup>22</sup>

---

<sup>22</sup> *Making progress – An analysis of improvements made by energy companies for their prepayment customers.* <http://bit.ly/1rlwPIH>

We are aware that PPM consumers often do not open or read letters from their energy supplier,<sup>23</sup> and that there are numerous other ways of communicating with these consumers which can be more effective – for example via SMS/text messaging, email, social media sites etc. It is important that all suppliers make an effort to understand how their customers prefer to communicate in order to increase engagement both in relation to consumption and more generally.

## Main six suppliers

---

The vast majority of PPM users are supplied by one of the big six energy suppliers – British Gas, EDF Energy, E.ON, npower, ScottishPower and SSE.

In response to a question from the ECCC about how many consumers have not topped-up their PPM for a continuous period of 30 days every year from 2008 to 2013, nearly all of the main six suppliers reported a decline in the number of customers who were not topping up for 30 days in 2013 compared to 2008.<sup>24</sup> This evidence demonstrates the clear impact of seasonal variation, particularly in relation to gas. It also shows the Warm Home Discount had some impact on top-ups in spring 2012 and 2013 as consumers were given credit and therefore delayed/changed their regular top-up pattern.

Some suppliers told us that there is earlier and sometimes more frequent monitoring of periods of non-topping-up for electricity rather than gas PPMs. Where a rationale is given, this seems to be related to greater availability of technological systems on the electricity side, rather than an evaluation of risk between the two fuels. It is important that smart meters are utilised to ensure that this differentiation between the monitoring of electricity and gas is addressed.

Companies were varied in their response to questions about monitoring accounts where a customer with a PPM has not topped-up and most will wait a considerable time before acting, unless they are aware of vulnerability in the household. The exception to this is **SSE** which will attempt to make contact after 28 days (by telephone, letter or text) and if contact is not achieved a visit will be made. Most suppliers will contact those customers that they know are vulnerable, if there has not been a top-up on the meter after 30 days, and wait 90 days if they are not aware of any vulnerability. An exception to this is **ScottishPower**; it has a non-payment database and will seek to contact vulnerable consumers after 28 days and non vulnerable consumers after 35 days. The use of the database has enabled **ScottishPower** to create an evidence-based approach to helping consumers manage their credit and enables the supplier to have a better understanding of when it is most pertinent to initiate contact with a consumer.

Many suppliers have different tracking processes for customers who they know to be vulnerable – for example **British Gas** targets monitoring to focus on a) customers known to be vulnerable and b) non-vulnerable customers who are repaying a debt, with weekly

---

<sup>23</sup> *Missing the mark* – Consumer Focus (2011) found that PPM users were much less likely than credit consumers to be engaged with their energy bills. Only 44 per cent of respondents said they looked at their bill (or statement of account) to see how much they had to pay – compared to 81 per cent of credit meter consumers. <http://bit.ly/1tSCpAG>

<sup>24</sup> In response to questions by the ECCC in November 2013, all main six suppliers except npower who reported a reduction of non top-ups for 30 days on 2012 (and considerable reduction on 2010 (which still included vacant properties) and E.ON for electricity. <http://bit.ly/1IDPYmt>

tracking of vulnerable customers' (with or without debt) consumption and top-up patterns. This is a positive approach toward known vulnerable consumers, but it is important to bear in mind that vulnerability is a fluid state and consumers can become vulnerable at any point – not topping up the PPM may be an indicator of financial insecurity or other vulnerability and it is important to track top-ups as an indicator of potential problems.

If a PPM is force fitted as part of the debt recovery process, current best practice among suppliers is to monitor the account to ensure that the consumer has topped-up at least once within 14 days of installation (**EDF Energy**) and to continue to monitor a force-fitted PPM until the supplier is satisfied that the consumer can top-up/or establish they are no longer at the property (**E.ON**). It is essential to ensure that consumers who may never have used a PPM before are able to successfully access energy supply and are given clear instructions about how their PPM operates.

## Smaller suppliers

---

Most of the small suppliers do not have many customers on PPMs; the exceptions are prepay specialists such as Utilita and Economy Energy. Many of those who do have a more limited number of PPM customers do not have pro-active monitoring plans in place.

One small supplier does not make any attempt to proactively contact the consumer if they notice that the customer has not topped-up over any period of time. The Citizens Advice Service considers this to be bad practice and is concerned that small suppliers are interpreting the regulations and obligations placed on them by Ofgem very narrowly. It is not enough to simply ensure that customers have a means to top-up the PPM (payment device). The supplier must be satisfied that the consumer has the means to do so, as well as the ability and understanding of how the meter works.

Another supplier (**Utility Warehouse**) is moving from six monthly monitoring of top-ups to weekly, which will be followed by proactive phone, email and SMS to contact consumers if they have not topped-up for a period of time. This is good practice which the Citizens Advice Service welcomes. Small suppliers that have PPM customers must consider how they can engage with customers who are not topping-up, and this must start with gaining an understanding of how frequently and why their customers are not doing so.

Among current best practice for small suppliers, **Green Energy** telephones following two weeks without topping-up (followed by a letter if there is no answer). It is important that any communication with a customer who has not topped-up their PPM is used as an opportunity to identify and discuss vulnerability and to offer support if appropriate. A few other small suppliers have suggested that they are planning to introduce new policies and processes to monitor non-top-ups and support consumers who are self-disconnecting.

## Why do consumers self-disconnect?

The Citizens Advice Service acknowledges that the vast majority of PPM users are not repaying a debt via their PPM and do not self-disconnect for long periods. The 2010 research went into detail about the types of consumers who self-disconnect and why. We found then that around one sixth (17 per cent) of PPM consumers were self-disconnecting, and that within this group, there are different types of self-disconnections. In the 2013/14 omnibus survey we found that this had decreased slightly to 15 per cent. Most disconnections were infrequent and short: this often occurs due to lack of organisation, such as forgetting to top-up the meter (as found in the 2010 research).

In 2013/14 we found that there has been an increase in PPM consumers who self-disconnect regularly for less than an hour (47 per cent of respondents in 2013/14 compared to 25 per cent in 2010). In 2013/14 this was consistent for both gas PPM users (46 per cent) and electricity PPM users (47 per cent). The 2010 research found that those who self-disconnected only rarely and for short-periods were experts in managing their budget, and self-rationed extensively in other areas of their life to ensure that their energy supply remained connected. Often consumers who self-disconnected for a short period told us that it was purely as a consequence of disorganisation/absentmindedness. However, they typically had sufficient financial resources to top-up immediately, once a disconnection occurred. We conclude that this continues to be the case in 2013/14, as over a quarter more (71 per cent vs 43 per cent) PPM consumers who have been temporarily disconnected in the last year told us that running out of credit on the meter rarely happens, and when it does, they can cope.

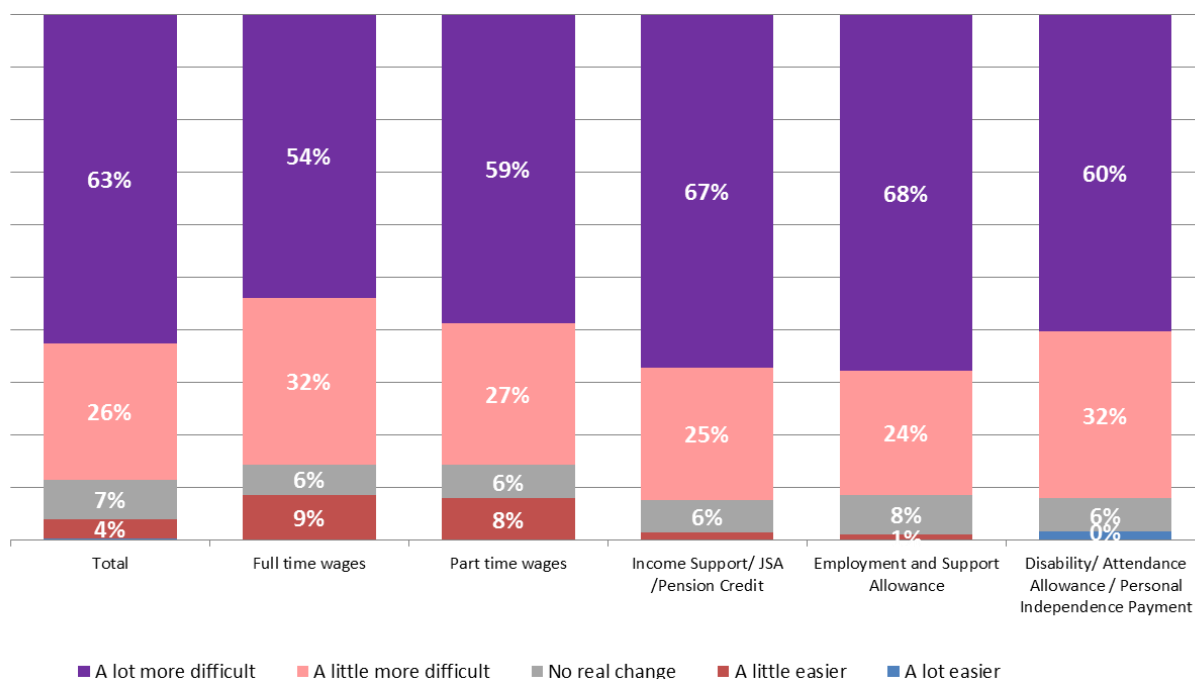
In the 2010 research we identified a small hardcore of consumers for whom keeping the meter topped-up is an ongoing struggle. The most financially constrained households were self-disconnecting for the longest periods of time. Citizens Advice Bureaux are often involved in supporting this hardcore, which became apparent in the qualitative study we conducted among advisers and clients. The Bureaux advisers are seeing clients who are often in dire straits and experiencing multiple issues. They told us that they felt that there are a large number of people facing extreme financial difficulty, and this has been particularly acute in the past year, since changes to the benefits system were first introduced. PPM consumers on benefits<sup>25</sup> in particular (See figure 1) are more likely to have found it 'a lot more difficult to find money to keep their PPM topped-up' compared to a year ago.

---

<sup>25</sup> Income Support, Jobseeker's Allowance (JSA), Pension Credit / Employment and Support Allowance / Disability, Attendance Allowance, Personal Independence Payment.

**Figure 1**

Q3. Compared to a year ago, are you finding it easier or more difficult to find the money to keep your prepayment meter topped up? x main source of income



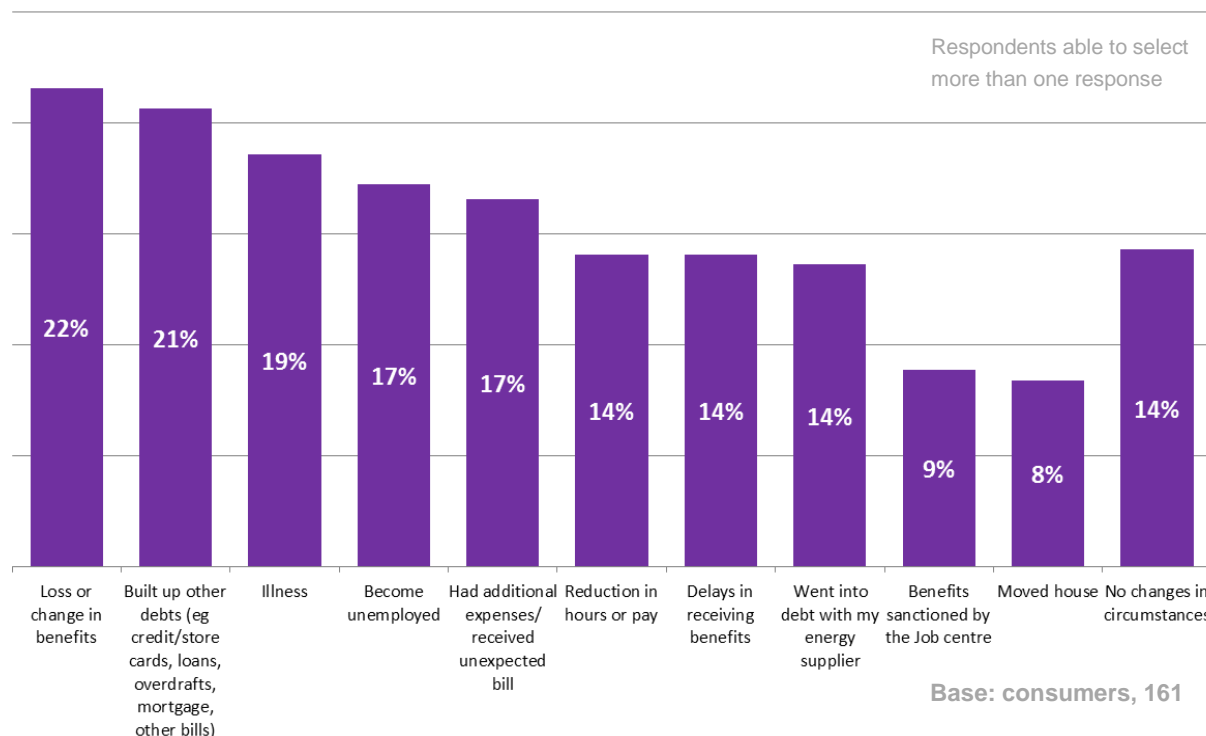
Base: consumers, Total - 261; FT - 69; PT - 42; Income support - 95; Employment and support Allowance - 62; Disability - 42

The majority of PPM consumers who sought help from Citizens Advice Bureaux and also those completing the online survey, had experienced a change in circumstances which was making it more difficult for them to find the money to keep their PPM topped-up, (see figure 2) with:

- 22 per cent citing loss or change in benefits
- 21 per cent having other debts not relating to energy
- 19 per cent having an illness
- 17 per cent becoming unemployed and having additional expenses, such as an unexpected bill.

**Figure 2**

*Q4. Have you, or any member of your household, experienced any changes in circumstances which have made it more difficult to find the money to keep your prepayment meter topped up?*



Many of the changes in circumstances can have a ‘snowball’ effect: for example a change from one benefit to another can lead to a delay in receipt, which in turn can lead to a build-up of debt to a range of organisations including their energy provider. Of the clients completing the survey, 68 per cent relied on benefits as a main source of household income and many had experienced this happening.

Variability in circumstances was mentioned in some discussions with both advisers and PPM consumers, in some cases this was driven by zero hours contracts where the income was not as expected, or in other cases with family instability, causing benefits to be re-evaluated and payments delayed. Around 37 per cent of PPM consumers had some form of physical or mental illness, while a further 19 per cent had someone living with them who did. This means that over half of households with PPMs contain someone with a physical or mental illness.

14 per cent of PPM consumers said that they had not had any specific change in circumstances, and yet had still found it difficult to find the money to keep their PPM topped-up. When interviewing those PPM consumers who have lost their jobs, many indicated that they were facing what they felt (or hoped) were temporary difficulties until they found another job. However, until that happens, there is limited income (from benefits), and no savings to fall back on.

*“This is a temporary blip – I’ll be back on my feet again as soon as I get another job” PPM consumer*

The research from both PPM consumers and advisers found that for those people facing a change in circumstances, either of reduced benefits or variable income (for example, a zero hours contract providing lower than expected income), the situation is far more challenging, and can become more of a crisis. It is difficult for them to learn to manage on a lower income, and also budgeting skills can take time to learn.

*“It’s a combination of having money coming in all over the place in a way... I think this would be really hard to deal with and yet you still have to make these payments... it’s such a complicated budget to work with and for me I’m impressed that so many people do so well with it” Adviser*

There are of course reasons that a PPM customer might not top-up which are not associated with affordability or other vulnerability (for example an empty property, in-between tenants, consumer preference, possible meter tamper) and the Citizens Advice Service knows that there will always be a strong seasonal trend for longer periods without topping-up by gas PPM customers in summer, which has proven to be the case across all suppliers.

Most suppliers undertake pro-active contact and carry out awareness raising campaigns during the summer months to ensure consumers with a debt on their gas meter continue to repay it even if they are not using gas, for example getting ready for winter leaflets. Research among Bureaux clients and advisers has found that not topping-up during the summer can also be associated with a lack of understanding and need for more general information and/or education about how PPMs work, particularly for consumers in debt. Advisers play a role in trying to find help for their clients, but also in trying to help improve their budgeting skills at a general level and specifically in relation to energy.

*“We’re back to educating people and saying... you’re going to have to prepare for the winter time during the summer” Adviser*

Some advisers had met PPM consumers who did not realise that they need to top-up in order to repay the debt or were not aware that there is a standing charge to pay even when they don’t use the gas or electricity. This led to instances where PPM consumers have not topped-up at all over the summer months, only to find a large debt to pay off, before they could start using gas supply in the colder months.

*“My client didn’t top-up all summer, so when it came to the winter and she wanted to use her gas, she had a debt of £40 to repay before she could use it – she just didn’t have that kind of money” Adviser*

*‘Yeah I can’t afford to put £60 in just to get it back on. So I’m not going to bother, I’m just going to use the Halogen and then I’m going to get a gas bottle when I can get one” PPM consumer*

The Citizens Advice Service is concerned about an element of Ofgem’s RMR which will disproportionately impact low-income households who are very low gas users. Some of these households have been negatively affected by the change in tariff structures, with two-tier tariffs being replaced by a standardised structure of unit rate plus standing charge. These households may not use their gas PPM, or use it very sporadically, as they can’t afford to keep it topped-up.

With these changes, most consumers will now have to pay an annual standing charge of about £100 just to maintain the supply. In discussions with suppliers, most said they did not send out targeted communications to their customers who are very low gas PPM users. We would expect suppliers to offer these customers both proactive and reactive support to help them cope with the tariff changes, for example to offer assistance from trust funds, energy efficiency advice, withdrawal of charges as a special measure, and, in a very limited number of circumstances, offering to cap the gas supply free of charge etc. The Citizens Advice Service is working with Ofgem, Government and suppliers to develop a set of remedies for these consumers.

Many of the main six suppliers told us that they have communicated with PPM consumers about the recent introduction of standing charges and potential impact that this will have. This is a good first step, but it is essential that suppliers ensure regular, on-going communication. Recent cases from the Citizens Advice consumer service and the Extra Help Unit demonstrate that there is still confusion about standing charges among consumers, and particularly consumers in vulnerable positions who are disproportionately represented among PPM users.



## What do suppliers do when there is known vulnerability or a consumer tells them that they cannot afford to top-up?

Most suppliers told us that they monitor PPM accounts more closely when they are aware of vulnerability in the household, and best practice is to include financial insecurity as a measure of vulnerability. Financial vulnerability isn't always recognised, acknowledged or articulated until it is too late, and it is essential that all suppliers proactively seek to understand and address consumer needs in order to tailor communications, services and support. The main six suppliers have specific teams who are empowered to make decisions to arrange energy top-ups/send extra credit to the meter.

The Citizens Advice Service is pleased to note a marked increase in how helpful PPM consumers found discussions with suppliers. In 2013/14 consumer satisfaction with their supplier increased, with 64 per cent of PPM users who have been temporarily disconnected and who contacted their supplier saying they found discussions with their energy supplier 'helpful' compared to 50 per cent in 2010. The original report in 2010 found that there was fairly low engagement and satisfaction with suppliers; we welcome this as a step in the right direction and commend suppliers for investing in their communication and interactions with PPM consumers.

We note that there was a drop in PPM consumers who have been temporarily disconnected and who contacted their supplier asking for their PPM to be removed and to pay another way (6 per cent of consumers in 2013/14 compared to 12 per cent in 2010), and an increase in people asking about different tariffs (15 per cent in 2013/14 compared to 10 per cent in 2010). This could indicate that there are potentially significant numbers of consumers who are less interested in changing payment method, and instead are seeking alternative options *within* a PPM market.

The main six suppliers told us that they do not differentiate in the way that they treat or respond to a PPM consumer who informs them that they cannot afford to top-up their meter based on whether the contact was initiated by the consumer or by a third party.

In response to our questions about whether an off-supply PPM customer who is unable to top-up is treated differently based on whether it is their first request for help or it is a repeat request, none of the main six suppliers gave a specific response. We know from the experience of the Extra Help Unit that there is indeed a difference in the way that many if not all suppliers treat consumers who repeatedly self-disconnect – for example, suppliers might refuse to offer any more temporary credits (remotely or wind on) and may have exhausted all options in relation to adjusting debt repayment levels and methods of extra help and support.

Most of the main six suppliers told us that PPM consumers who are off supply can contact them 24 hours a day, 7 days a week via a free phone line ([appendix 2 is a summary of all suppliers contact numbers and opening hours](#)). It is of course essential that support and assistance for consumers is tailored as soon as possible and the treatment they receive is based on individual circumstances. The best suppliers will do all, or a combination of, the following based on need:

- issue a temporary credit to the meter remotely or via a wind on
- check the settings on the meter to ensure accuracy
- carry out income and expenditure analysis and reduce the value of weekly repayment arrangements for customers in debt
- carry out a vulnerability assessment
- discuss consumption and check whether the customer is on the best tariff for them
- consider whether a PPM is still the most appropriate payment method for the consumer
- discuss the option of fuel direct as an alternative debt repayment method
- refer the consumer to their energy trust scheme for a grant if appropriate.

The Citizens Advice Service is interested to note that on some **EDF Energy electricity** PPM meters there is an additional functionality which stops the meter going off supply after 6pm and before 8am on weekdays or any Sunday or Bank Holiday. This is designed to protect customers in vulnerable situations from having to leave their property late at night, or topping-up their meter if there are limited outlets open. In their responses to our information request other suppliers did not specify whether they too use this technology and offer similar protections for consumer, but we understand that this is the case. (We understand that **Ovo's** PPMs do not self-disconnect between 8pm and 8am, which is similarly good practice).

All of the larger suppliers have legal obligations to deliver energy efficiency measures to domestic energy users. They all placed some emphasis on offering energy efficiency advice to customers in vulnerable positions who are off supply, and investing in training across their staff to check eligibility for insulation, home improvements or boiler replacements under the Energy Company Obligation (ECO) scheme. Where appropriate, suppliers will refer consumers to the Energy Savings Trust or Home Heat Helpline too.

The smaller suppliers varied greatly in how they support consumers who cannot afford to top-up their PPM. The majority do not proactively carry out any detailed assessments of ability to pay or income/expenditure analysis or provide remote top-ups/wind ons. The small suppliers with larger PPM customer bases will often provide information about government schemes and signpost the consumer to other sources of help and support.

Some of the small suppliers told us that they have an explicit step where they ask if the customer can borrow money from friends or relatives. It is essential that care is taken to properly establish ability to pay. The Financial Conduct Authority<sup>26</sup> and the Consumer Services Association<sup>27</sup> (trade body for debt collection) both set out the need to ensure that firms under their jurisdiction should not put any customer under undue pressure to borrow money. The Citizens Advice Service is keenly aware that energy supply is a priority debt, and regulated as such. However, borrowing further money on top of existing debts can often compound problems for the consumer. It is risky and best practice highlights that it is not an appropriate option for a collections conversation. Instead staff should be trained and empowered to discuss establishing ability to pay, appropriateness of payment type and any other potential support that can be offered to consumers.

<sup>26</sup> FCA source book on consumer credit: CONC 7.3.10. <http://bit.ly/1pinF7E>

<sup>27</sup> The Consumer Services Association code page 9. <http://bit.ly/Z4ebbd>

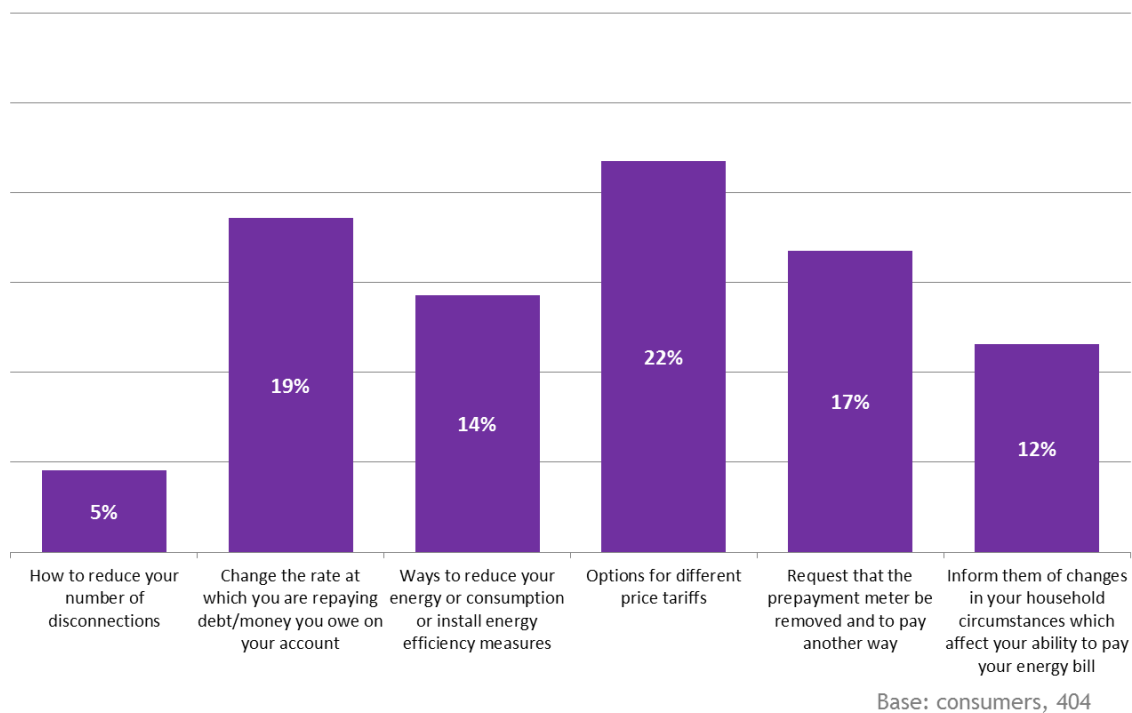
## Bureaux and client interaction with energy suppliers

Figure 3 gives details on the kinds of issues that Citizens Advice Bureaux clients have contacted their energy suppliers about in order to find solutions before (or to help prevent them from) self-disconnecting, with 22 per cent looking for different price tariffs, 19 per cent wanting to change the rate at which they repay their debt, and 5 per cent specifically looking for advice on how to reduce the number of disconnections.

Among consumers who sought help from the Bureaux, it was those who are in debt to their energy provider who are most likely to self-disconnect most frequently.

**Figure 3**

*Q9. Have you ever contacted your supplier about any of the following?*



Some of the Bureaux clients told us that they had contacted their energy supplier to try and sort out their issues before turning to the Bureaux, especially when they felt that there had been some mistake in billing, or a problem with the meter itself. The follow up interviews with advisers unsurprisingly highlighted concerns that PPM consumers who were self-assured and articulate were perhaps more confident in attempting or trying to resolve their own issues with the supplier in the first instance.

In some instances, the consumer asked the supplier to lift the debt temporarily, to allow them to top-up the meter and use energy. Some of the Bureaux clients felt that the energy suppliers were not very helpful, nor were they viewed as being empathetic when the consumer contacted them.

*“...they weren’t doing anything to refund me for having the wrong bill or refunding me for all that extra money I’d put in...”* PPM consumer

*“...I had a lot of phone calls, with a lot of crying because I was just like I can’t afford this and they were demanding...”* PPM consumer

*“Like a lot of low income people use PPMs so they can budget, and I think the energy companies exploit it a little bit that way, they’re a little bit condescending on the phone.”*  
PPM consumer

There were some examples of consumers having to spend several hours, waiting to get help from the right department. This was often compounded with the length of time it took for any decision or actions to take place:

*“I had a guy who’d spent £50 on his mobile trying to sort it out with his energy company”*  
Adviser

*“They’re having to spend HOURS on the phone, and it’s weeks before the whole situation is sorted”* Adviser

*“When I finally got through to them which was about well the week before, two weeks [ago], I got a whole load of excuses, because I was waiting for them to tell me if I could get a refund...”* PPM consumer

*“They are just not seeing it, it’s got to such a point where I am having to email one of the Managing Directors to say, please get in touch with me, this has to be dealt with the sooner the better. There is something very wrong here.”* PPM consumer

*“The energy company I am with now, they have written to me and told me that I qualify for some kind of benefit charge or deduction charge. It takes them six weeks or longer to process it.”* PPM consumer

## Case study – PPM consumer

A woman moved into a property and found it had two different meters, one of which had a debt on it.

She topped-up both meters regularly, but was paying £160 per month for both electricity and gas, and found this unaffordable. She looked into it and realised that she was paying a Small Business rate, with an additional 15 per cent VAT. She also found that she was in credit to the energy supplier, and so contacted them about these two points. It was a complex story, which the energy provider did not understand, or carefully listen to. She has been in discussion with them for over a year now, and has complained to their CEO about the lack of understanding and helpfulness in resolving this matter.

In other cases, PPM consumers received no assistance from their supplier to help them get back on supply, reduce the debt repayment rate or provide extra emergency credit. There were some examples of issues taking a long time to resolve and evidence that energy supplier call centre staff are not empowered to make decisions or to escalate consumers who had self-disconnected if they were in debt to the supplier.

*“They just said there was nothing they could do because I had a debt and that was it”*  
PPM consumer

*“I just think they’re just not willing to help at all... you pay it off and that’s it... I think they are really, really arrogant, and unable to deal with stuff.”* PPM consumer

These findings are disappointing and at odds with the information that we received from suppliers about actions they’ve taken to support PPM consumers empowering staff to reduce debt repayment rates and discuss other options that could help the consumer.

## How suppliers work with third party organisations to support the consumer

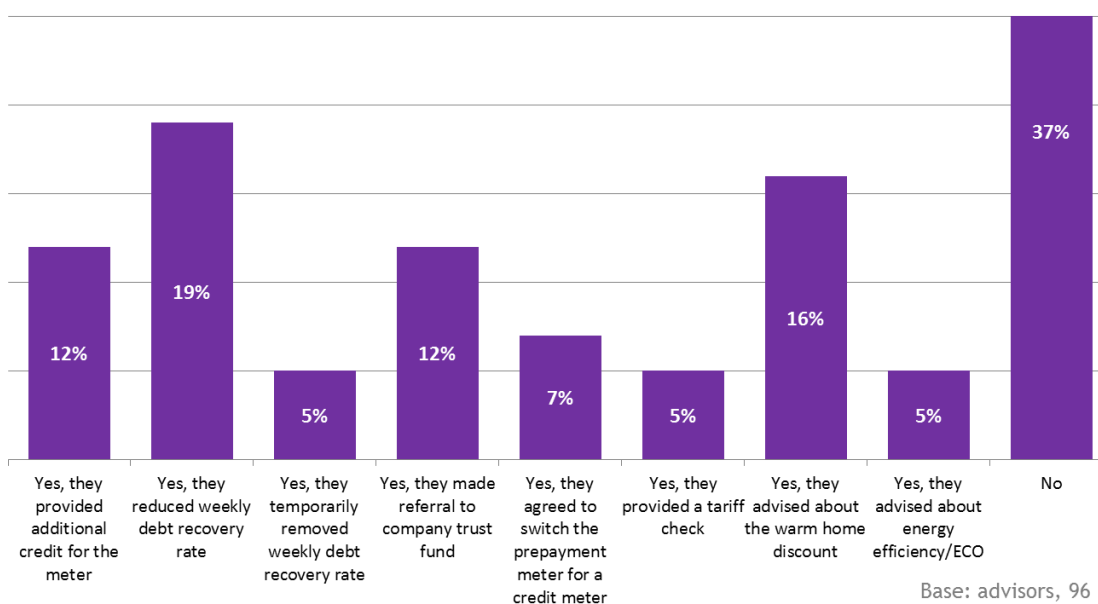
Most of the main six suppliers shared information about the way they work with partners from the third sector who give more in-depth and wide-ranging debt advice, benefits checks (including looking at income maximisation) and energy efficiency advice. All of the main six suppliers have dedicated telephone lines for advisers to use. We know that awareness of these lines generally is quite low, and that the energy suppliers have been struggling to increase direct contact from advisers via this channel. The Citizens Advice Service will work with suppliers and Bureaux to consider how we might increase the use of the dedicated phone numbers. Figure 4 shows that 59 per cent of the advisers in the survey contacted their client’s energy provider to see if they could offer any assistance.

The interviews with advisers indicated that the outcome of calls to a supplier vary greatly and often depend on the individual call centre operative at the supplier, who may or may not be helpful (we are not able to establish whether the advisers called the specialist help lines or the standard call centre). There were several instances where advisers described how they were able to succeed in making contact and achieving co-operation from the supplier and were disappointed that when their client had attempted to do the same they were not able to. Intervention from a third party should not be the only reason that suppliers are prepared to support a customer who cannot afford to top-up the meter.

In the majority of cases, the energy supplier did offer some form of assistance, as shown in Figure 4 including reducing weekly debt recovery rates (19 per cent), advising about the Warm Home Discount (16 per cent), providing additional credit for the meter (12 per cent) and making a referral to the company’s trust fund (12 per cent).

**Figure 4**

*Q5. Did their energy supplier offer some form of assistance?*



However in over a third of cases (37 per cent) the advisers in the survey stated the energy provider did not offer any form of assistance.

The biggest concern among the advisers we spoke to was related to the lack of speed in decision-making, and the inability of energy suppliers to provide more help in the 'here and now'. Advisers apply for Energy Trust grants and other forms of support and assistance, but decision making is very slow. For example, the British Gas Energy Trust hold a decision making committee four times per year, and the Warm Home Discount payment is made once a year. These initiatives are vital but they do not address or meet the core need of those households who have been self-disconnecting. These households need immediate help or funding to resolve the problem of having no warmth and/or lighting in the home.

*“The real problem is finding immediate help for clients in this situation. It takes so long for a decision to be made, for things like Energy Trusts or Warm Home grants – these people need help now and there’s nothing for them anymore” Adviser*

Advisers also told us that they felt the Government-funded sources of help for PPM consumers who are self-disconnecting are no longer clear. In particular, they cited the devolution of crisis and hardship payments to local authorities as resulting in differing levels of emergency financial support across different authorities. The complexity of the benefits system, combined with reduced levels of funding, staff cuts in jobcentres and local authorities and confusion over what support is available from which provider makes it very difficult for individuals or Bureaux advisers to access support when it is needed most.

PPM consumers acknowledge that advisers do their best to help them.

## Suggested areas of improvement

Bureaux advisers do contact energy suppliers on behalf of their clients and can be more successful than the consumer in obtaining some type of temporary help. However they often find it difficult to resolve the issues for self-disconnecting consumers and during the research, they suggested some areas of improvement:

**Citizens Advice Bureaux** – need to be able to see more PPM consumers in this situation, more quickly and provide better facilities in the Bureaux to help them apply for grants or loans online.

**Energy providers** – to focus on those who are in the vicious circle of debt repayment and self-disconnection, to develop more support for immediate help, and for their call centres to be easier to access, more empathetic and have the flexibility to provide help for consumers who have no energy in their homes.

**Local authorities / Jobcentres** – to provide greater help for PPM consumers who have no money and need help in the 'here and now', to provide clarity on what is available and how it can be accessed, and to speed up their decision making to ensure that consumers do not go for extended periods with no money.

The omnibus research found that the number of PPM users who have been temporarily disconnected and who sought help from a third party was low in both 2010 (20 per cent) and 2013/14 (13 per cent). However, of the calls to the Citizens Advice consumer service in the past year, around a third (32.5 per cent) of all PPM consumer contacts were from consumers who had self-disconnected.<sup>28</sup>

15 per cent of the Bureaux advisers told us that they had seen clients who had sought help for their situation before going to the Bureaux. Most of these said that their client had sought help from the energy supplier, friends/family or a jobcentre. The survey and interviews of Bureaux clients also showed that PPM consumers who were least confident tended to go straight to their local Bureaux for help and advice. The advisers estimated that in 65 per cent of cases, their clients had not contacted any other organisation / people for help.

Advisers fed back their frustration at not being able to provide immediate help, with the main issues being:

- Crisis funds (and in Scotland, Scottish Welfare Fund payments) are no longer available in many authorities
- Food banks do not provide help to pay for top-up of PPM cards
- Food banks are only helpful if consumers have the energy to heat/cook the food
- In some instances, energy providers will not help PPM consumers if there is an existing debt.

Living with no gas and/or electricity can have a significant physical and emotional impact. From a physical perspective, there are direct consequences of being cold and hungry, as there is no way of heating or cooking food.

Being cold can bring about circulatory and respiratory conditions, which can become very serious. It can also further exacerbate any short-term illnesses, or further aggravate those with long-standing physical or mental illnesses.

*“There’s not much point in going to a food bank as I can’t cook anything without gas”*  
PPM consumer

---

<sup>28</sup> Analysis of Citizens Advice consumer service energy cases logged under PPM Code or PPM self-disconnection Code from 01/04/2013 – 31/03/2014.



## Case Study – from Adviser

A man required a home visit from a Bureaux adviser, to accompany a social worker, who was concerned about this client's ability to cope with looking after his 14-year-old daughter.

The house was freezing and dark. The man was sitting, wrapped in a duvet on the sofa and had been so for three to four days. The Adviser found it difficult to take notes as his hands were so cold.

The Social Worker asked what the father was planning to do for his daughter when she came home from school, as the house was so cold. He explained that he had no money to put in the meter.

He was planning to feed her biscuits for tea.

PPM consumers we spoke to found being unable to meet their fundamental needs or those of their family very upsetting. It can make people feel unsafe, insecure and uncared for, especially for those who are vulnerable, suffering from depression or other mental health issues.

*"I've worked out it costs £2.20 a day to run the basics, without me even turning a light on. So when I'm skint, I just can't turn the light on"* PPM consumer

*"Something we've really noticed nowadays is that it can be worse to be in your own house than to be homeless, as there are facilities to wash in hostels, and have clean clothes; quite a lot of people just can't get the money to use hot water in their houses, so they don't wash – either themselves or their clothes"* Adviser

*"You're just waiting for the days to pass"* PPM consumer

*"Imagine how they must feel, having sat in a dark, cold house for three or four days"* Adviser

*"We can get them food vouchers but not energy vouchers – they are both essential to live – why do we place food over heating? It's barbaric"* Adviser

Some advisers felt that staff changes and new processes have added to the confusion, as staff at local jobcentres have been reorganised and support is now provided via central call centres that have no knowledge of local provision.

*"I had a client in the other day – it took me five hours on hold on the phone and getting passed around... it was only because one lady gave me her personal mobile number, and so when the phone rang off after waiting for so long, I called her on her own phone! Five hours, I kid you not"* Adviser

Advisers told us about the impact being off supply and unable to top-up the meter has on their clients' morale:

*“It’s so draining, as it takes forever. They should be spending this time and energy in getting a job, and yet they’re having to spend days and weeks trying to sort this out. It’s utterly demoralising” Adviser*

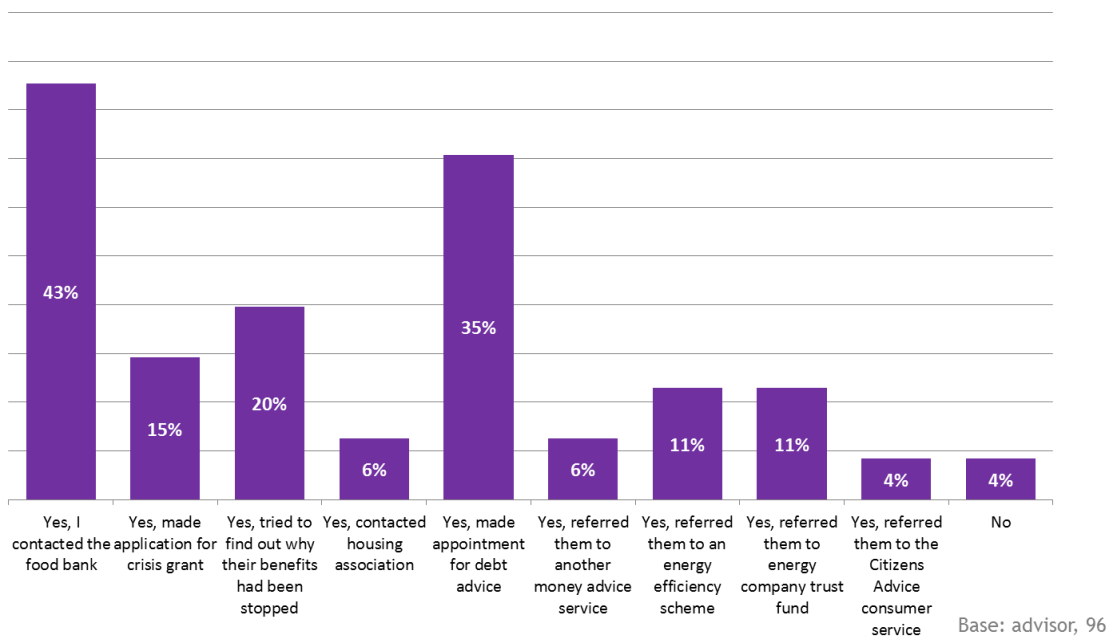
*“They tend to be pretty exhausted already – you would be if you were in that type of stressful situation, and it’s just made worse by the waiting, lack of decision making” Adviser*

Following a consultation with a PPM consumer, figure 5 shows that Bureaux advisers will contact a range of sources for help. Over two fifths of PPM consumers who seek help are referred to a food bank (43 per cent). This alarmingly high number of referrals demonstrates that consumers in this situation often have no money for the absolute fundamentals to survive.

Bureaux advisers told us that they also sometimes make referrals to social workers, if they are concerned that the PPM consumer is failing to cope with their situation. The social worker can provide advice and support to vulnerable individuals and help them to access the services they need to improve their situation and wellbeing.

**Figure 5**

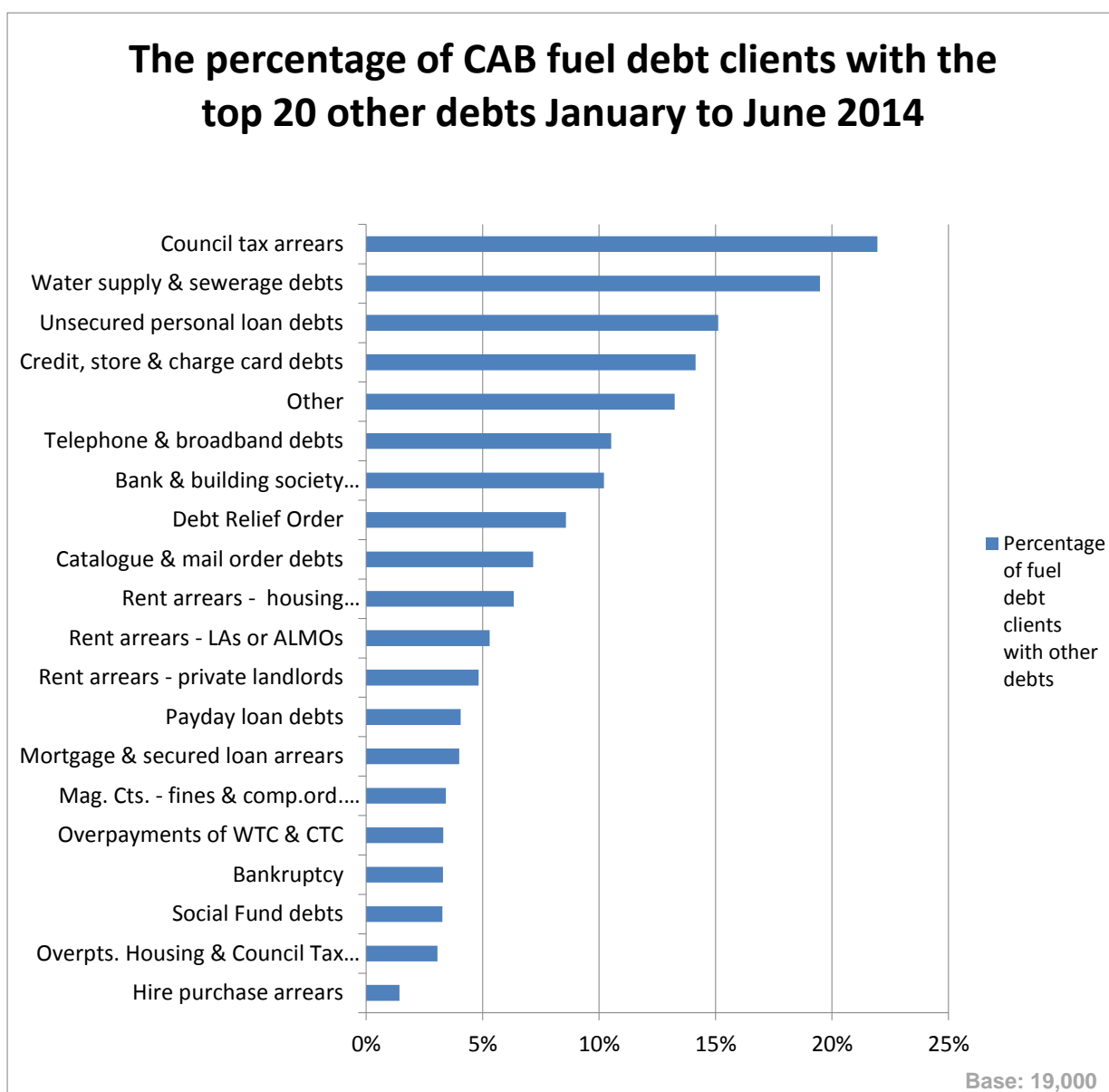
Q8. Did you contact another organisation on the client’s behalf?



Often a consumer in debt to their energy supplier is also in debt to other companies and services. Between January and June 2014, 15,000 people across Great Britain viewed the Citizens Advice adviceguide pages on 'struggling to pay energy bills'. The pages were viewed over 27,000 times.<sup>29</sup>

In this same period, 55 per cent of clients who sought advice from Bureaux on fuel debts were also advised on other issues. 21 per cent were advised on benefits, and 47 per cent were advised on other debts. Figure 6<sup>30</sup> provides a breakdown of these other debts.

**Figure 6**



<sup>29</sup> Google analytics – pages including and linked from: struggling to pay energy bills. <http://bit.ly/1B8EuL9>

<sup>30</sup> This is based on the number fuel debt clients visiting Citizens Advice Bureaux in England and Wales between 1 January and 30 June 2014. The graph shows the percentage of unique clients advised in each category. Clients may have been advised on more than one debt category.

Nearly a quarter of clients with an energy debt were also advised on council tax arrears (22 per cent), nearly a fifth were also in debt to a water company (19 per cent). Struggling with multiple debts can have a significant impact on day to day lives, health and wellbeing, as demonstrated in the quotes from interviews with clients and advisers.

The Citizens Advice Service understands that all of the main six energy suppliers and some of the smaller suppliers will actively discuss debt management options with consumers, and often refer them to other third party organisations for support and assistance with debt (for example National Debtline or Stepchange).

Bureaux advisers also found, as part of their initial consultations, that clients often have more debt than just that owed to energy supplier, with 35 per cent of advisers making appointments for more in depth and holistic debt advice.

Energy suppliers are also active in referring or signposting consumers to other sources of help, including emergency loans via local authorities and applications to the energy supplier trust funds. In addition to working with the Citizens Advice Service some energy suppliers also work with a range of other organisations.

## Information, help and support for consumers struggling to pay

Consumer Futures, in the information request, asked suppliers to share literature/leaflets, website links and other examples of information that they provide to both customers and third party advisers about paying for energy via a PPM. We also asked them to detail specifically what steps should be taken when the customer cannot afford to top-up the meter as either:

- a temporary situation or
- where it appears as if the financial problem is more long term.

All of the main six suppliers have leaflets and guides for PPM customers which contain information about how to use the PPM following installation, how to top-up, using their key or card, how the emergency credit works and what to do if they find themselves off supply or have problems paying for energy and need financial support or assistance. All the main six suppliers have this information on their websites too, as well as website links to energy efficiency advice, information on government grants and links to debt advice. A number of suppliers have energy trust funds which consumers can apply to for financial aid.

The Citizens Advice Service recognises that the problem may not be related to the amount of information available but may instead be about barriers to accessing and understanding information. Energy suppliers should continue to work closely with partners nationally and locally who are involved in supporting these consumers.

All suppliers are obliged to collate and maintain a Priority Services Register (PSR) of consumers in vulnerable situations as part of the supply licence regulations. The best suppliers make information about the PSR widely available in differing formats both on and offline. With energy costs continuing to rise and the wider pressures on consumer finances unlikely to decrease, it is essential that households in the most vulnerable situations are able to benefit from additional protections and support in order to ensure they can keep warm and well. The Citizens Advice Service is pleased that Ofgem will be developing a more holistic approach to considering the needs of consumers in vulnerable situations this year. In 2013 Ofgem announced that it was planning to review the PSR. Its research<sup>31</sup> found that fewer than one in ten of all energy consumers (9 per cent of consumers) could name at least one PSR service. Consumers do not know about the help and support their energy supplier can provide, and are unlikely to request help when they need it. The Citizens Advice Service is particularly keen to ensure any new PSR approach clearly tracks, identifies and supports consumers who are financially vulnerable. The research also found that only 6 per cent of consumers who are eligible for PSR services believe they are actually on a PSR.

---

<sup>31</sup> July 2013. Ofgem Consumer Vulnerability Strategy. <http://bit.ly/1qTKRug>

The main six suppliers regularly run winter campaigns for PPM consumers, which usually involve messages on the back of PayPoint/Payzone top-ups and other proactive communications to consumers. **E.ON** detailed its two stage 'Get Ready for Winter' campaign in 2013, which involved a mailing in June to gas PPM customers to remind them that while it may be tempting not to top-up their meter, standing charges will still accrue. This was followed by further communications in October to advise all PPM customers to start budgeting for winter by topping-up more before winter arrives.

**British Gas** has an innovative, interactive online tool called '[Ways We Can Help](#)' which aims to make it easier and faster for customers to understand if they're eligible for support schemes such as the Warm Home Discount, ECO and Priority Services Register from British Gas, providing an overview of their eligibility at the touch of a button. The tool also checks the user's postcode and will let them know if there is an Energy Advice Centre in their local area. We encourage the supplier to work with local partners so they can use it with consumers who are not online.

**EDF Energy** has a Personalised Support Service, a package of support offered to vulnerable customers when they need more support. It includes energy and debt advice services to support customers who are having difficulties paying. **EDF Energy** also has a dedicated Debt Advice Helpline delivered by Plymouth Citizens Advice Bureau where customers can receive free, impartial and confidential debt advice.

**SSE** has recently published [a video on You Tube](#) which offers self-help in terms of charging the PPM, understanding meter settings and faults. This is an innovative and useful way of presenting this information.

As a high proportion of CAB clients do not have internet access (nearly half according to *Offline and left behind*<sup>32</sup>, the 2013 report from Citizens Advice Scotland) we encourage suppliers to consider alternative ways to help these consumers to access such support.

---

<sup>32</sup> <http://tinyurl.com/byvshfo>

## The impact of changes to welfare

The Citizens Advice Service is already experiencing the impact changes to welfare are having on people – increased conditionality with people being sanctioned; work capability assessments which are pushing people off sickness related benefits and on to JSA; and the under occupancy penalty or ‘bedroom tax’ to name just three. The changes to the welfare benefits system are ongoing,<sup>33</sup> and will have varying impacts on the amount of money people receive, and the way in which they receive it.

Current best practice among suppliers is to actively plan for system, process and training changes for all staff on the changes to benefits and introduction of Universal Credit. This involves monitoring the impact and experiences from the pilot areas and incorporating this into training for staff and potential routes to support consumers who may experience a delay in payments.

Based on responses to the information request, **ScottishPower** is the most advanced in its preparation for the changes, having closely monitored developments in the pilots. It plans to offer its own ‘Universal Credit Crisis Prepayment Credits’ scheme, with detailed options and actions which will empower and enable its staff to take decisions and act quickly in order to maintain energy supply and access other sources of financial support while in between benefits.

**British Gas** outlined its plans to closely monitor the developments and work with partners in order to adapt its policies, processes and relationships with third parties to ensure that customers are offered appropriate support. The supplier has already put in place measures to assist customers over the short-term (for example signposting customers to sources of funds during their transition to Universal Credit and, where these have been exhausted, applying sufficient credit to their meters to maintain their supply) and are investigating more enduring solutions.

**EDF Energy** has focused on empowering staff and reminding its teams that customers are able to have additional credit added to their meter, and for it to be paid back at a rate suitable to their circumstances. They have also highlighted the role of suppliers to educate and support customers in reducing their energy consumption, and reducing their energy costs.

### Smaller suppliers

---

The smaller suppliers are generally less proactive on information provision and links with third party advisers. They are also less prepared for, and engaged with, the impending changes to benefits and potential impact that this may have on consumers’ ability to pay. Some of the small suppliers who responded to our questions about this (**Ecotricity, First Utility, Ovo and Utility Warehouse**) told us that they have a code of practice and/or leaflets which are available on their websites.

---

<sup>33</sup> Benefit changes timeline: <http://bit.ly/1quZIDL>

**Ovo, Ecotricity and Utility Warehouse** all send out information to new customers about using the meter with contact information about what to do if they are having difficulty paying via PPM. **Utility Warehouse** refers customers to the debt support charity Stepchange if they are struggling to pay: it has also empowered its staff to reduce debt amounts based on ability to pay and makes referrals to Citizens Advice Bureaux where appropriate.

Given the changing nature of the market and the increasing market share of the small suppliers, the Citizens Advice Service considers it essential that the smaller suppliers think about how to proactively engage with PPM customers to ensure that they know how and where to seek support.



## Conclusion and recommendations

The Citizens Advice Service is pleased to note that there has been some progress and improvement made since the 2010 research, notably in the way in which suppliers communicate and interact with PPM consumers. However, the study among Bureaux clients and advisers has unveiled some significant areas for further improvement.

### 1. Monitor and understand how consumers use their PPM

---

It is essential that suppliers aim to achieve a better understanding of how their PPM consumers use their meter now, in order to identify and address how they can target help and support – both now and in the future for smart prepay. While some progress has been made, there is still woefully limited information and knowledge about how PPM users actually use their meter, and engage with the energy market more generally.

Even closer monitoring of top-ups and quicker responses to consumer need are necessary. There is significant disparity among suppliers in relation to monitoring, and understanding the frequency of, top-ups. The suppliers also have very different time frames and communication methods in place when a customer has stopped topping-up.

There is a clear need for some minimum, industry-wide service commitments to PPM customers who are off supply. The Citizens Advice Service will work with suppliers and Ofgem to facilitate this. Current best practice by some suppliers includes monitoring known vulnerable customer accounts more closely, and moves to contact these consumers more quickly. The number of PPMs fitted is increasing at a fast pace, and it is essential that self-disconnection does not become a ‘norm’ for more customers, putting families and households at risk. The suitability of a PPM should also be regularly reviewed, particularly where a customer is known to be vulnerable.

We acknowledge the advances that have been made by many of the main six suppliers to pro-actively communicate and engage with PPM consumers since 2010. More PPM consumers who have been temporarily disconnected and who contacted their supplier told us that they found discussions with their energy supplier helpful in 2013/14 (64 per cent compared to 50 per cent in 2010). Despite this, the wider issue of low levels of trust and satisfaction with the energy market by all consumers continues to be a problem.<sup>34</sup>

Closer monitoring of consumers in vulnerable situations by some suppliers has already had a positive impact and facilitated the way in which suppliers can support these customers, by decreasing debt repayment rates, offering energy efficiency advice and making referrals for other support.

---

<sup>34</sup> The 2014 Edelman Trust Barometer found that the UK has the highest incidence of public distrust in the energy industry of any country surveyed, with a net trust percentage of -23 per cent compared to a global average of +32 per cent. It was the joint least trusted sector in the UK, alongside banks.  
<http://tinyurl.com/lzx2fuc>

We recommend that all suppliers consider how they can better:

- understand consumer energy use and identify self-disconnection
- target offers of help and support
- tailor information and communication
- signpost or refer consumers to other help and support, particularly income maximisation.

It is essential that suppliers are not complacent and continue to invest in understanding and supporting the needs of PPM consumers who are at risk of self-disconnection. Energy suppliers should be aware of trends in consumer behaviour and invest in the development of monitoring tools to indicate where problems might be occurring. Many suppliers have invested in new billing systems which, once embedded, should mean that they are better placed to segment and understand consumer situations and circumstances. It is imperative that a PPM is only fitted where it is safe and reasonably practical for the customer to use it. The suitability of the meter/payment type should be regularly reviewed.

The Citizens Advice Service is aware and supportive of the general thrust in recent years to increase, improve and encourage consumer empowerment across all markets. This is dependent on consumers having the information and tools to fully participate in the market, and recognition that there will always be certain consumers and groups of consumers who need more support. This is particularly crucial in relation to the essential services markets: some groups of energy consumers in vulnerable situations will require intervention, support and action, which suppliers must not shy away from offering. Self-disconnection is potentially life threatening and must be recognised as such.

## **2. Prepare for changes to the welfare system**

---

The changes to the welfare system and benefit reform have not yet been completely rolled out across the country, and we are aware that the full impact is yet to be felt. Citizens Advice's work in the pilot areas has demonstrated that the affects will be significant, and that many consumers will need the right skills to make the transition to receiving Universal Credit. 9 out of 10 clients will need support to manage the transition, in one or more of the following capability areas: monthly payments, budgeting, banking, staying informed and getting online.<sup>35</sup>

Energy suppliers can help to ease this transition by familiarising themselves with the changes and proactively supporting consumers who are experiencing difficulty and self-disconnecting from energy. This will require greater communication and coordination within the industry as well as between suppliers and third party agencies that support consumers – crucially this must also involve the DWP and Jobcentres.

---

<sup>35</sup> *Universal Credit: managing migration.* <http://bit.ly/1sUc7vd>

In 2013 Citizens Advice published *All change: why welfare reform should matter to creditors and utility companies*,<sup>36</sup> it sets out the need for creditors to be proactive and patient, and to appropriately refer customers. It also made the case for creditors and utility companies to set the right culture among their staff, and encourage them to take the time to understand their customers' circumstances.

Evidence from Bureaux advisers reported that clients were increasingly embarrassed about talking about their benefits, and were keen to point out that they were not 'scroungers'. If creditors wish to encourage their customers to engage with them at an early stage, it is vital that customers are treated sympathetically and with respect when they take steps to address their financial situation.

The responses from suppliers to the information request demonstrated that there is a great deal of disparity in the way that suppliers are liaising with the Government and other stakeholders, or planning internally to prepare for welfare changes. The Citizens Advice Service recognises that there are of course some suppliers who have been very proactive in planning for the changes, the potential disruption to consumers' income and knock on effect this might have on paying for energy. However, this is an issue that requires greater coordination right across the industry.

The Citizens Advice Service recommends that the industry body and small supplier representative work together to ensure a consistent approach and minimum levels of support that will be offered to consumers who are experiencing problems paying for energy (whether via a PPM or credit meter).

### **3. Consider the unintended implications**

---

Our research among Bureaux advisers and clients highlighted that PPM consumers who are self-disconnecting also have other, significant problems and cannot afford many essentials, such as food. In 43 per cent of cases the advisers were referring consumers to food banks, and in 35 per cent of cases clients were also given appointments for debt advice, suggesting they had other significant debts.

The Citizens Advice Service continues to work on changes to the welfare system and the impact this will have. These changes are partly associated with the shift to Universal Credit, but the introduction and changes to eligibility more generally are widely felt. We are working with colleagues from across Bureaux and are very aware of the localised nature and effect of changes.

In particular, the abolition of crisis loans and the introduction of local social welfare schemes, together with changes to housing benefit and council tax support has resulted in more pressure on local authorities and housing associations to support local people.

---

<sup>36</sup> *All change: why welfare reform should matter to creditors and utility companies*. <http://bit.ly/1oxiAZh>

We are working with Bureaux, local authorities and housing associations to identify, analyse and share best practice in local responses to welfare reform through our *Making welfare work locally*<sup>37</sup> project. We are also working with a range of creditors to ensure that they are prepared to support their customers through the transition.

We are also in discussions about whether there is the potential for a national website which brings together the support available locally for consumers who are struggling to pay household bills.

Many energy suppliers have policies and processes in place to support these consumers: for example extending emergency credit, carrying out income/expenditure analysis, referring to supplier trust funds and signposting to other forms of debt advice for consumers who have multiple debts. There is more to be done to understand PPM consumer behaviour and to ensure the services and support are tailored to these consumers. However, it is essential to recognise that there is a small 'hardcore' of consumers for whom the market does not function. Fundamentally, there is a significant question to be posed about whether this small group of consumers in dire circumstances should be removed from the competitive energy market altogether, and offered electricity and gas on different terms.

Energy is an essential service, and therefore the market should work for all consumers. There are potentially groups of consumers who are fundamentally unlikely to ever be well served by the market due to their permanent disengagement. Consumers who regularly self-disconnect because they cannot afford to keep their meter topped-up regardless of tariff, supplier and payment options are not able to fully engage with the market. The regulator must seriously consider whether 'backstop tariffs' or other mechanisms are needed to protect consumers who are so disengaged that no competitive remedy is likely to ever reach them.

#### **4. Prioritise pre pay options in the smart meter rollout**

---

In the longer term, it is essential to build solutions to end the short-term fixes such as providing emergency funds when there is a temporary crisis and a consumer cannot afford energy.

There is a key question around where the responsibility lies when a consumer simply cannot afford to top-up their meter to access energy for heat and light. This is a problem that no short-term fix can address, and requires leadership from Government and the regulator about expectations of suppliers, and where their responsibility ends. It may be that PPMs are not suitable for people who regularly self-disconnect. Suppliers are obliged by their license conditions to only install a PPM where it is safe and practical to do so. If there is a risk to health that cold homes can have if someone is knowingly self-disconnecting regularly, it may well be that PPMs are not suitable for these vulnerable types of consumers and therefore alternative payment arrangements should be put in place.

---

<sup>37</sup> <http://bit.ly/1n2s3ZT>

Smart metering offers opportunities to improve customer service and reduce the cost of servicing energy products; it also raises new challenges and risks that need to be addressed. This is particularly the case for PPM customers. In 2012, the Consumer Focus and Accenture report [Smart Metering Prepayment in Great Britain Making prepaid energy work in a smart world](#) made a number of recommendations. Smart meters should bring an end to self-disconnection with the introduction of trickle flow, cheaper prices, better service and more tariff offerings, but this will only work if the rollout of PPMs is prioritised during the smart meter rollout. The Citizens Advice Service is calling on all suppliers to produce consumer offers for affordable and flexible pay as you go tariffs.

It is particularly important that PPM customers access the wider benefits that smart technologies can bring, as early as possible, as they are less likely to achieve the same energy savings as those customers using other payment methods.

The Department of Energy and Climate Change's (DECC) Smart Metering Impact Assessment for example, estimates that gas PPM customers will achieve average savings of 0.5 per cent compared to 2 per cent for gas credit customers.<sup>38</sup> However, PPM customers still will be required to contribute to the cost of smart deployment through increased energy bills over the whole rollout period.

The expectation when we began this work in 2010 was that further progress in delivering the benefits associated with the smart meter rollout would have been made and that many of the problems that PPM users face would have been acknowledged, with clear timescales to be addressed and resolved. However, the smart meter rollout has been delayed and all indications are that PPM customers will be among the last to get their new meters. This highlights how low a priority PPM customers have become.

The smart meter rollout has the potential to revolutionise the pay as you go energy market in Great Britain. It is essential that Government, the industry and regulator commit to using smart metering and rollout to make prepayment better and to help address problems that customers can face when using this payment method. The Citizens Advice Service wants suppliers to deliver on the Consumer Demand for smart meters (attached at annex 3). The Consumer Demand calls for a prepay users to have access to better prices, have more control over their supply and for pay as you go energy to be easier to use.

Despite the potential for benefits from smart metering, current problems highlight that it is not enough to assume that smart meters will fix the issues that PPM users have. PPM consumers are an underserved segment of the market: characterised by limited innovation, poor service and weak competition. Self-disconnection is the most visible indication of a market that is failing some consumers. The experience of PPM users was a key feature in our Market Investigation response to Ofgem.<sup>39</sup>

---

<sup>38</sup> Page 8, Smart prepayment in Great Britain Accenture and Consumer Focus. <http://bit.ly/1u6CPT6>

<sup>39</sup> <http://bit.ly/1ro3eMs>

The Government and regulator must work together to ensure that the benefits of smart pay as you go are delivered alongside programmes to improve energy efficiency of homes and opportunities for income maximisation (for example benefits checks). It is essential to ensure that consumers who currently self-ration or are at risk of self-rationing in a way that might endanger their health and wellbeing do not use less energy than is necessary.

## Next steps and recommendations

---

### **Citizens Advice Service**

- Commission further research looking at the feasibility of offering additional support mechanisms for vulnerable energy consumers
- Commission further research looking at where existing consumer advice and redress could be further strengthened and streamlined to support customers who self-disconnect
- Work with energy suppliers to consider whether further support and tools can be developed to assist consumers in need of emergency help and support
- Ensure the needs of this minority group of vulnerable consumers are addressed within our energy services strategy.

### **Suppliers**

- Identification and sharing of best practice for monitoring potential self-disconnection
- Ensure that staff training about the changes in welfare benefits is regularly refreshed
- Use consumer contacts from households that are self-disconnecting or struggling to afford their energy to review whether a PPM remains the most suitable payment method.

### **Ofgem**

Ofgem is obliged to assess the needs of vulnerable customers and decarbonisation, at the same time as promoting effective market competition and enforcing standards around consumer protection. There is an inherent tension in this: providing the type of intensive support required to a minority of consumers is expensive. The customers often have multiple problems, not only with energy, and they are unlikely to be fixed with a one-off offer of assistance. There is a gap between the support offered by some of the big six and those which the smaller suppliers can offer.

- Consider whether the safe and practicable guidance regarding PPM installation should be updated and/or further clarified
- Ensure that consumers are able to access a lifeline supply of energy
- Ensure the PSR review fully considers financial vulnerability and considers the impact of self-disconnection on vulnerable consumers.

### **CMA**

- Ensure that its investigation of the energy market considers the experience of all consumers, not just those paying by Direct Debit or who are actively engaged.

## **Government**

The changes to welfare benefits and welfare reform more widely have inadvertently led to an increased expectation on suppliers to provide emergency support to their most vulnerable consumers. While we welcome the willingness of some suppliers to act responsibly and consider how to provide temporary support to their customers, this is not sustainable in the long run. It is imperative that DECC works with colleagues from across Government, particularly at the DWP to consider the impact that welfare reform changes are having on household income and ability to pay for essential services such as energy.

### DECC

- Introduce an Extra Help Scheme to ensure that vulnerable PPM users are adequately supported during the smart meter rollout
- Explore opportunities for benefits health checks during smart meter rollout
- Consider whether there is any potential for further data matching to identify consumers who may be struggling to pay for energy and target support/assistance.

### DWP

- Work with energy industry to understand the specific needs of vulnerable PPM users in advance of the rollout of Universal Credit.

## Annex 1: Citizens Advice Bureaux survey details

### Client survey

---

- 568 survey responses
- 163 through paper format
- 405 through electronic version
- 127 surveys did not contain a majority (that is 9 questions plus) of complete answers, and were therefore excluded from the research.
- This left 441 complete in total (163 paper, 278 electronic)
- We were left with the following breakdown by region:
  - England: 166
  - Scotland: 27
  - Wales: 23

As the sample sizes per region are low, in particular for Scotland and Wales, all analysis has been undertaken at an overall GB level.

### Adviser survey

---

- 131 survey responses
- 35 did not contain a majority of complete answers (that is 7 questions plus)
- This left a total of 96 responses, although not all of these responses contained complete answers for every question.

### 2013/14 omnibus survey

---

The 2013/2014 survey was conducted by TNS Capi omnibus. Fieldwork ran from 4 December 2013 to 21 January 2014. The total sample was 14,226 adults aged 16 years+. Results were weighted to be nationally representative of the GB population.

### The key objectives of this research were to:

---

- assess whether there have been changes to the profile/type/number of PPM consumers experiencing self-disconnection since the original research was carried out in 2010
- explore whether changes to benefits and the difficult economic climate have had an impact on the frequency and length of self-disconnection
- get an up-to-date understanding of how consumers are managing payments through their PPM and the impact self-disconnection has on affected households
- better understand how Citizens Advice Bureaux debt advisers and other third party advisers identify and support self-disconnecting PPM consumers
- understand advisers' perceptions of how well suppliers are helping customers who cannot afford to top-up their PPMs
- understand advisers' perceptions of what support is available locally to clients who are struggling to pay for essential items (like credit for PPMs) and what additional support could be provided.



## **Annex 2: Main six suppliers PPM contact numbers**

- British Gas – 0800 048 0303 (open 24 hours a day 7 days a week)
- EDF Energy – 0800 015 1733 (open 8am-8pm, emergency after 8pm call 0800 096 9000)
- E.ON – 0345 303 3040 (Prepayment general electricity); 0345 300 8144 (Prepayment general gas)
- npower – general customer services 0800 073 3000 (for landlines) 0330 100 3000 (for mobiles) (Mon – Fri 8am to 8 pm and Sat 8am to 6pm)
- ScottishPower – 0845 2700 700 (general customer services)
- SSE – 0800 048 2391 (electric), 0800 048 2392 (gas), or 0800 980 2481 (PPM Homemoves).

## **Appendix 3: Consumer Demand**

See next page.

## Consumer Demand: Fair play for prepay

Consumers want fair pay-as-you-go gas and electricity. We want energy companies to give us a better price, put us in control of our own energy use and make it easy to pay-as-you-go.

Smart meters are an opportunity to improve the service we currently receive; don't make those who prepay for their energy the last to benefit.

We call on energy companies to deliver:

### 1. A better price

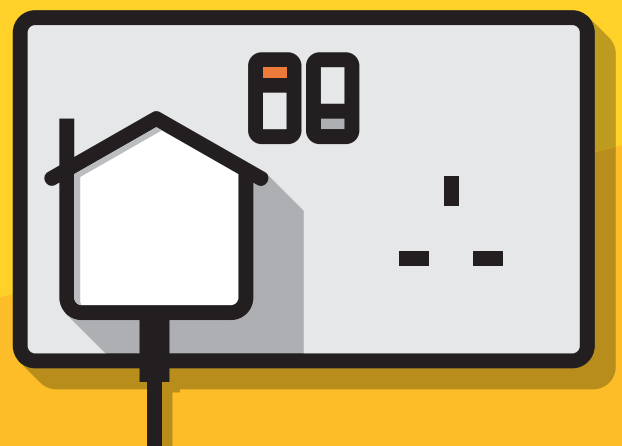
- Pay-as-you-go is the cheapest payment method available.
- Free access to near real time electricity use, account information in pounds and pence, details of standing charges and debt repayments to help customers budget and become more energy efficient.
- An equal amount of pay-as-you-go tariff options compared to other payment methods.

### 2. More control

- A choice of ways to top up such as by phone, text, or online in addition to cash top-ups over the counter at a convenient location.
- Switching supplier to/from pay-as-you-go is made easier and free of charge – no more security deposits and fees for meter exchanges.
- Free low credit alerts – a text or alarm on the smart energy display to warn when credit is low.
- A 'lifeline' supply of electricity or gas at all times, even when a customer has been unable to top up their meter.

### 3. Easier use

- No more misdirected payments.
- No more cards or payment keys that need to be inserted in the meter which can be lost, stolen or broken at a cost and inconvenience to the customer.
- A free 24hr helpline for mobiles and landlines.



## Aims and principles

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination.

The service aims:

- to provide the advice people need for the problems they face
- to improve the policies and practices that affect people's lives.

**Citizens Advice**  
200 Aldersgate  
London EC1A 4HD

Telephone: 03000 231 231

[www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)  
[www.adviceguide.org.uk](http://www.adviceguide.org.uk)

**Citizens Advice Scotland**  
Spectrum House, Powderhall  
Road  
Edinburgh EH7 4GB

Telephone: 0131 550 1000  
[www.cas.org.uk](http://www.cas.org.uk)

Patron HRH The Princess Royal

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux  
VAT number 726 0202 76 Company Limited by Guarantee Registered Number 1436945 England Charity registration number 279057  
Registered office 200 Aldersgate Street, London EC1A 4HD

Citizens Advice Scotland is an operating name of The Scottish Association of Citizens Advice Bureaux  
Company Limited by Guarantee No 89892 Scottish charity number SC016637  
Registered office 1<sup>st</sup> Floor, Spectrum House, 2 Powderhall Road, Edinburgh EH7 4GB