

Consultation Response

Ofgem

Self-disconnection and self-rationing final proposals – statutory consultation

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About this consultation

This statutory consultation confirms Ofgem's proposals to improve outcomes for consumers who self-disconnect, self-ration and are struggling to pay their energy bills. In August 2019, they consulted on initial policy proposals to help protect these consumers given the significant negative impacts experienced by consumers, particularly for those in vulnerable circumstances. In March 2020, Ofgem temporarily paused reform of licence obligations in this area, to enable the energy industry to focus on the immediate and urgent priorities arising from the COVID-19 crisis. They now consider that it is time to resume this critical work as this is a priority area for Ofgem and the energy sector

Key points and recommendations

- Age UK strongly supports Ofgem's proposals for suppliers to identify prepayment meter customers (PPM) who are self-disconnecting, offer them short-term credit and abide by amended ability to pay principles when dealing with customers in financial difficulty.
- We recommend all proposed measures are in place by the start of December 2020 to ensure customers are protected at the start of this winter.
- Data on self-disconnections should be reported regularly by suppliers to Ofgem who in turn could share with public bodies to help drive a targeted local approach to tackling detriment and fuel poverty.
- Suppliers should prioritise replacement of older PPMs with smart meters to improve identification and support for customers self-disconnecting and self-rationing.
- Ofgem should set both a common minimum level of emergency credit and prescribe hours for friendly hours credit.
- We support the amendment of ability to pay licence conditions, particularly considering the impact of the Covid-19 pandemic on personal health and finances.

Introduction

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe, and secure at home; and feel valued and able to participate. We have drawn on this experience in responding to this consultation.

Overview

Age UK warmly welcomes the proposals for energy suppliers to identify and support pre-payment meter (PPM) customers who are self-disconnecting. We support the requirements on suppliers to offer short-term credit but believe that Ofgem should set common minimum levels for this. We also welcome amendments to licence conditions to formalise suppliers' duties to take account of a customer's ability to pay in relation to debt issues.

We recommend that the proposed measures are in place by the start of December 2020. It is vital that customers can benefit from the new protections at the start of this winter due to the ongoing uncertainty around the Covid-19 pandemic and its associated health and financial impact on millions of energy customers. Cold homes can have a dramatic impact on health, particularly causing and exacerbating the respiratory conditions which put people at even greater vulnerability to Covid-19. The proposed changes should help provide protection, confidence, and reassurance to energy customers, particularly those in vulnerable circumstances such as those who are shielding, disabled, lack mobility, in financial difficulty or are not online. It is in the interests of all parties, including suppliers, to keep customers connected. The proposed changes will make it easier for this to happen.

The benefit of the short-term protection measures agreed by Government, Ofgem and suppliers was evidenced during lockdown and most likely helped prevent further detriment. Due to continuing uncertainty, it is necessary to embed elements of these protections permanently. The proposals are also the continuation of Ofgem's programme to support customers at risk of self-disconnecting and self-rationing, and in line with the regulator's Vulnerability Strategy.

Identification

Age UK supports Ofgem's view that suppliers should 'take all reasonable steps' to identify all customers at risk of self-disconnection. Whilst older adults make up a small proportion of PPM customers – estimated in Ofgem's 2019 Consumer Survey to be 3-4% of those aged 65+¹ (see Appendix 1 for Age UK's analysis of percentage of prepay customers), it is important that this group are appropriately supported. Identification will allow suppliers to offer information, advice, and refer customers to public bodies, community, and advocacy organisations. The data on customers self-disconnecting should not just be held by suppliers but reported to Ofgem on a regular basis. This will allow Ofgem to monitor the extent to which new protection measures are having the desired effect of reducing instances of self-disconnection. It may also be possible for self-disconnection data, at least at street or neighbourhood level, to be shared with local authorities and health bodies. This could help support a targeted local and public health response to issues of vulnerability and fuel poverty.

The proposals also strongly support the argument for suppliers to prioritise the replacement of traditional PPM's with smart meters and smart prepay. Smart meters will make it far easier to improve real-time identification, monitoring and support for those at risk of self-disconnection. This will be particularly true for those in vulnerable circumstances, those

who are shielding and during any further periods of lockdown. Smart meters also allow trusted third parties to top-up on a customer's behalf.

Ofgem should also alter licence conditions to require suppliers to take all reasonable steps to identify and report self-rationing in smart metered customers. Ofgem and industry need to take steps to identify these customers to prevent detriment such as poor physical and mental health from living in a cold home. Dual fuel customers using electricity at consistent levels, but whose gas usage stops or slows, particularly during periods of cold weather, could indicate self-rationing.

Friendly hours and emergency credit

Whilst we support Ofgem's proposal for all suppliers to offer short-term, emergency, and 'friendly hours' credit, it is important that a minimum standard for both is set to establish consistency across the industry. Set 'friendly hours' will help those who lack mobility, are disabled, or lack transport to top-up at a retailer or those who are not online to top-up electronically. Minimum standards will also provide a framework to aid consumer, community and advocacy organisations supporting energy customers. It is hoped that suppliers would continue to innovate on best practice to provide competition within the industry.

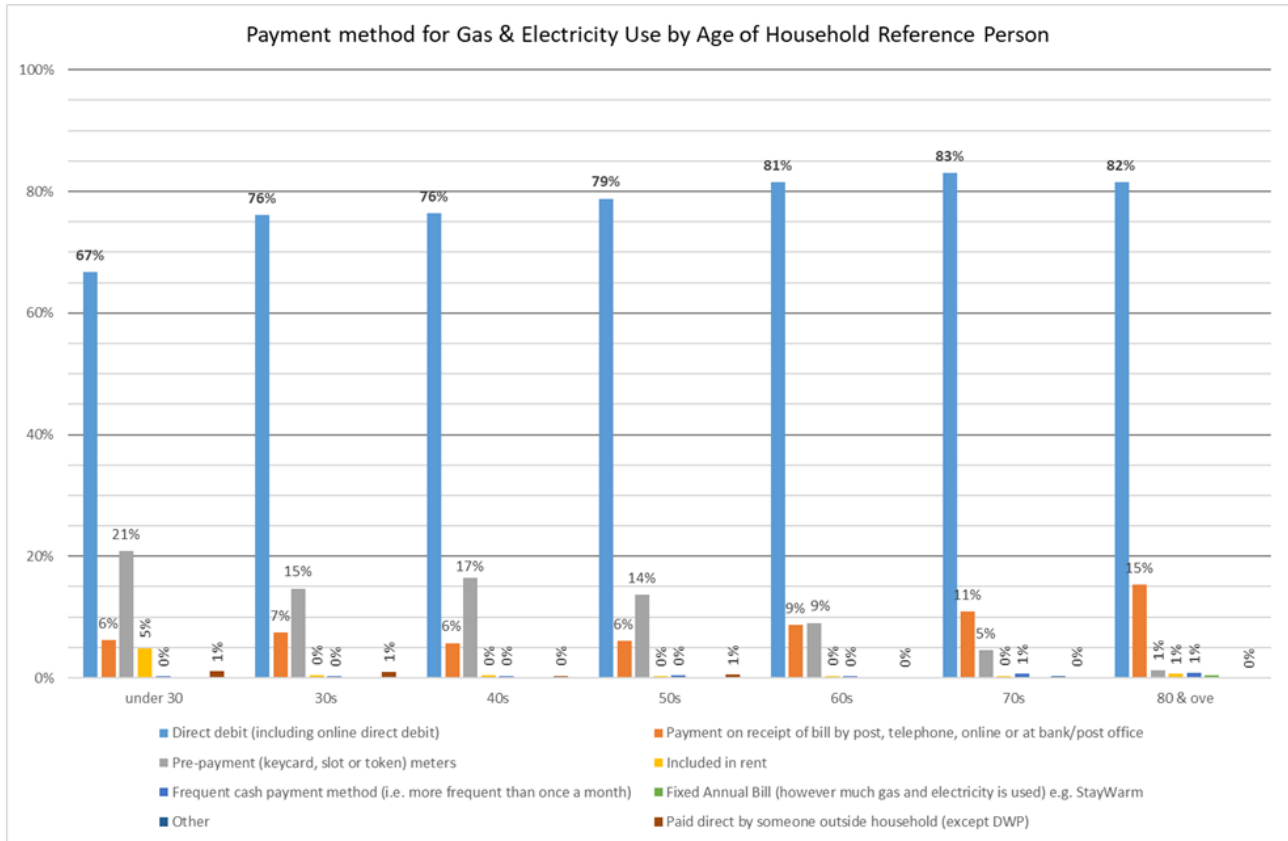
It will also be contingent on suppliers to promote their 'friendly hours' and emergency credit support. We would recommend they write to all affected customers to inform them of the amount of emergency and friendly hours credit, what the 'friendly hours' are, options for repayment and for additional support.

Ability to Pay

We support Ofgem's proposal to incorporate the ability to pay principles within the supply licence conditions so that they reflect current market and wider developments. It is vital that principles are established by the start of this winter so that consumers can be reassured about their consistency of supply and support should their ability to pay be threatened. We do believe that suppliers should be cognisant of how prepay customers' ability to pay is impacted by the higher unit costs compared to a credit meter. Identification and support of customers that are in vulnerable circumstances and/or are self-disconnecting should include advice on the benefits of switching to a credit meter. Those that are struggling to meet their energy costs or are disconnecting due to a logistical issue should be supported to move to a cheaper and often more convenient form of supply where possible.

Appendix 1

Age UK Analysis (May 2020) of [Living Cost & Food Survey 2017-18](#) (accessed 12 January 2020)



References

¹ https://www.ofgem.gov.uk/system/files/docs/2020/02/2019_consumer_survey_data_tables.xlsx