

Consumer Scotland response to Ofgem's call for evidence: prepayment rules and protections for domestic consumers

14 March 2023

1. Who we are

Consumer Scotland is the statutory body for consumers in Scotland. Established by the Consumer Scotland Act 2020, it is accountable to the Scottish Parliament. Consumer Scotland's purpose is to improve outcomes for current and future consumers and its strategic objectives are:

- to enhance understanding and awareness of consumer issues by strengthening the evidence base
- to serve the needs and aspirations of current and future consumers by inspiring and influencing the public, private and third sectors
- to enable the active participation of consumers in a fairer economy by improving access to information and support

2. Introduction

Consumer Scotland welcomes Ofgem's call for evidence on prepayment meter (PPM) rules and protections, along with the wider actions such as the Market Compliance Review.

The risk of disconnection from energy supply, and the associated harms this can cause, still exists for the 421,000 consumers in Scotland using prepayment meters, as well as 4.1 million across Great Britain¹. Whilst the review and attention to the installation of forced PPM is welcome, our submission encourages Ofgem to take a series of actions to ensure that PPMs are safe for all consumers who currently use them. We look forward to the outcome of the Market Compliance Review and any resulting action to support consumers currently using PPMs.

Consumer Scotland welcome the opportunity for future engagement with Ofgem, as the prepayment meter work continues to develop.

A summary of the key points from our evidence is provided below:

- 1. The current pause on installations of PPMs should continue until Ofgem are confident individual suppliers comply with licence conditions:** Consumer Scotland has cited evidence which supports concerns seen across industry about both the process and outcomes for consumers who experience the forced installation of a PPM. The health and wellbeing of consumers is a key priority. On this basis, forced installations of PPMs should not be resumed until Ofgem are satisfied that there are clear safeguards in place to protect consumers from vulnerability (including safeguards should they fall into vulnerability in future); and that these safeguards are being adhered to by suppliers.

2. PPMs should be installed in exceptional circumstances only: The supply licence should explicitly state that prepayment meter installation under warrant, or the equivalent remote switch via a smart meter, is a 'last resort'. This position is in-keeping with the need for a more prescriptive approach within the rules and regulation of PPMs and for expectations on suppliers to be clear and concise to ensure that the rules are consistently applied. As part of this approach, the precautionary principle should be applied, and the burden should sit with suppliers to prove 'no vulnerability' exists before proceeding with a PPM installation. If this cannot be demonstrated then a PPM should be deemed inappropriate for that consumer.

3. Ofgem should set a more prescriptive process setting out requirements for suppliers to meet when considering the installation of a PPM

To minimise varying interpretations of the current rules and regulations on PPMs, and ensure consistent application across the industry, Ofgem should set a more prescriptive process that suppliers must follow before moving consumers to a PPM. Disconnection from energy supplies, which is a specific risk associated with having a PPM, creates vulnerability for most consumers.

The current system has failed to provide the necessary protection to households facing forced prepayment installation or remote mode switching. As outlined above, we believe there needs to be a more prescriptive process that suppliers are required to follow, and which explicitly sets out the key household circumstances and characteristics where installation of a prepayment meter would not be appropriate. Following on from this, there is a need to ensure much greater compliance with, and enforcement of, the rules and regulations for the installation of PPMs where there is a vulnerability in the household.

4. Expansion of vulnerability criteria and a needs and risk-based approach: Consumer Scotland agrees that there should be an expansion of the list of characteristics of vulnerability, to clearly set out which customers should never be required have a PPM. In particular, Consumer Scotland urges Ofgem to consider expanding the vulnerability criteria to include those with financial vulnerability, specific medical conditions and those who need energy for medical equipment. We would also encourage Ofgem to consider requiring suppliers to conduct a broader needs and risk-based assessment to ensure that consumers needs are not compromised, and their health and wellbeing is not put at risk, because of having a PPM. This would mean, in practice, greater consideration being given to whether the installation of a PPM could itself create vulnerability, as well as exacerbating it.

3. About our evidence

Consumer Scotland have put forward three types of evidence in this response:

- 1. Our tracker data:** Consumer Scotland are conducting a quarterly tracker survey to monitor consumers' experiences of the energy market, including affordability. In 2022-2023 Consumer Scotland commissioned YouGov Plc to conduct an online quantitative survey on our behalf, administered in three waves, to an existing research panel of members resident in Scotland. The total sample size in the winter 2022 wave was 1,621 adults (aged 16+). Fieldwork was undertaken 28th November – 13th December 2022. The results were weighted to be representative of all Scottish adults and by age, gender, region, occupational classification and urban vs rural geographic location.
- 2. Evidence from our Scottish Energy Insights Coordination (SEIC) group members:** Where we have engaged with members of our SEIC group, comprised of primarily frontline agencies or representatives of specific consumers, these have been cited as case studies and quotes.
- 3. Secondary reports from organisations:** where we have seen evidence of detriment from our data, we have also cited reports which point to the broader context or wider evidence of detriment such as the recent Citizens Advice Scotland² or Citizens Advice³ reports.
- 4. Consumer Scotland response to call for evidence**
 - 1. Does Ofgem have the right balance between principles-based regulation (Standards of Conduct and Vulnerability Principle) and prescriptive rules (SLCs, guidance) to guide suppliers when installing or remote switching to PPMs? Please explain.**

Consumer Scotland believes that a better balance can be struck between principles-based regulation and prescriptive rules. Overall, we support the underpinning approach of principles-based regulation as a means of meeting the individual service needs of customers. However, in the case of warrant installations or remote switching to prepayment meters, the harms resulting from the subsequent increased risk of disconnection from energy supplies are a serious threat to consumers' health and wellbeing. There are particularly dangerous consequences when rules, standards and procedures are not adhered to by suppliers.

We believe that the existing evidence on the process and outcomes for consumers of PPM installations merits the application of greater prescription within the license code. This is particularly the case in relation to what is considered 'safe and reasonably practicable', and with broad and clearly defined criteria for vulnerability. The move to a more prescriptive approach must however avoid becoming a checklist exercise which fails to recognise the complex circumstances that consumers can find themselves in, as well as consumer preferences and the transient nature of vulnerability.

There are clear links between prepaying for energy and wider detriment. Evidence from our Energy Tracker shows that:

- Fifty-three percent of prepayment meter users report cutting back on food to afford their energy bills (compared to 33% of direct debit and 37% of all consumers)
- Eighty-three percent of prepayment meter users report cutting back on at least one area of spending to afford their energy bills compared with 69% of those on direct debit and 72% of all consumers
- Sixty-two percent of prepayment meter users reported that they couldn't heat their home to a comfortable standard compared with 37% of direct debit consumers and 42% of all consumers
- Seventy-four percent of prepayment consumers were rationing their energy
- Fifty-six percent of prepayment consumers reported their mental health being affected either a little or a lot by keeping up with energy bills compared with 36% of all consumers.
- Thirty-nine percent of prepayment meter consumers reported their physical health being impacted compared with 28% of all consumers.

Therefore, in addition to not being safe or appropriate in specific circumstances, it should be recognised that having a prepayment meter can create or exacerbate vulnerability for consumers. This is supported by the findings of a recent report⁴ by Citizens Advice Scotland (CAS) which found evidence of prepayment households having to make difficult decisions when it came to competing expenditures – not just between heating and eating, but also between heating and using power-assisted medical equipment, and other essential services. The CAS report gives examples collected through systematic analysis of data from the Extra Help Unit (see text boxes)

The CAS report gave numerous examples of consumer harm which was collected through systematic analysis of Citizens Advice Bureaux' cases. Case studies from the Extra Help Unit have been reproduced here but please see the report for further detail and cases:

Case study 1

The Extra Help Unit recently dealt with a very vulnerable consumer with significant mobility issues as well as emphysema, arthritis and brittle bone disease. The consumer uses a nebulizer and a stair lift. She is in receipt of Employment Support Allowance, Personal Independence Payment and Child benefits and has teenage children on the property, and also an adult daughter with mental health issues. She has recently come out of hospital and is struggling to keep up with a large debt on her prepayment meter and maintain supply. She is spending £80 a week to keep the supply on and is prioritising feeding her children over herself. The consumer's energy supplier advised the EHU that they were unable to assist as they had exhausted the number of loans to the consumer and the EHU had to apply for fuel vouchers through the Fuel Bank Foundation to maintain supply. The consumer is really worried about the upcoming price increases and worries that she will be unable to maintain her energy supply.

Case study 2

A vulnerable consumer had a brain tumour a number of years ago which required a shunt to be fitted which means being cold can exacerbate issues with his brain.

He also has memory problems and anxiety. The consumer is financially vulnerable and is receipt of Universal Credit but does not have enough money to get through the month.

The consumer has a prepayment meter installed in his property and contacted the Extra Help Unit as he only had £1 left on his emergency credit for gas and electricity. The EHU reached out to his energy supplier on his behalf who advised that because the consumer had a £6.50 debt on the meter and had had recent assistance, they were unwilling to assist further.

The EHU applied for a fuel voucher for the consumer and signposted him to his local bureau for further support. The consumer appreciated the support but feels it is a sticking plaster and is very concerned at the lack of support from his energy supplier in the context of rising energy bills.

2. Should there be prescriptive processes and questions suppliers must seek to answer before progressing to PPM in the debt journey? Should this be set by Ofgem?

As above, Consumer Scotland believes that there needs to be a more prescriptive process that suppliers must follow before moving consumers to prepayment meters in order to ensure a robust, consistent and compliant approach across the industry given that there is a risk of severe consumer detriment. The primary responsibility for the development and enforcement of this prescription sits naturally with Ofgem. There also needs to be a greater burden on suppliers to prove that a prepayment meter is suitable for a household. This means a change in the default position, away from suppliers having to identify whether a vulnerability exists, towards- 'a precautionary principle' approach which includes suppliers being required to prove that it does not.

Consumer Scotland understands that shortfalls in vulnerability monitoring can result in sub-optimal outcomes for consumers. For example, recent research by the Vulnerability Registration Service (VRS)⁵ found that 72% of respondents had not been asked by a service provider if they were vulnerable, despite 27% considering themselves as such and 42% exhibiting characteristics of vulnerability. There are also long-established issues with relying on consumers self-identifying as being in vulnerable circumstances. The Commission on Consumers in Vulnerable Circumstances found that if a consumer's vulnerability was not identified by an energy supplier, it was highly unlikely that they would get the support they

needed, with eight out of ten customers stating that they would not tell a company if they were in a potentially vulnerable situation⁶.

This evidence serves to reinforce the need for a more prescriptive process, and until Ofgem is satisfied that there is a fit-for-purpose and safe protocol, with clear routes for monitoring efficacy, there should be no further forced prepayment installs or equivalent remote mode switches. There should also be caution against an over-reliance on self-disclosure of vulnerability, given the above evidence.

3. SLCs 27 and 28 require suppliers to only install PPM if safe and reasonably practicable and Ofgem published updated guidance on it in 2016. In your view is the term “safe and reasonably practicable” still sufficient or should this be changed?

Ofgem’s guidance⁷ on the interpretation of ‘safe and reasonably practicable’ under Standard Licence Condition (SLC) 28 states that: ‘this guidance is not intended to be exhaustive, nor does it imply that these steps must be taken in each and every case, and it is ultimately for suppliers to determine the steps they need to take’. Whilst much of the guidance is to be welcomed, particularly around the barriers to physical top-ups, the evidence indicates that the current approach has failed to provide the necessary protection to households facing forced prepayment installation or remote mode switching. As outlined above, we believe the evidence is supportive of a more prescriptive process that suppliers are required to follow, and which explicitly sets out the key household circumstances and characteristics where Ofgem does not believe a prepayment installation would ever be appropriate.

4. Should we expand the list of vulnerable characteristics for which customers should never have PPM force-fitted or (if on a smart meter) forced-remote switched? If so, what additional characteristics should we include in our guidance, and why?

Consumer Scotland’s view is that there should be an expansion of the list of characteristics of vulnerability, to clearly set out which customers should never be required have a PPM. Following on from this, there is a need to ensure much greater compliance with, and enforcement of, the rules and regulations for the installation of PPMs where there is a vulnerability in the household. Evidence from both Citizens Advice and Citizens Advice Scotland illustrates that there have been many instances of consumers being switched to a PPM where the consumers would be considered vulnerable⁸⁹.

The VRS (2022) research has also shown that 4% of people have been moved to a prepayment meter for gas or electricity but that figure is 8% for vulnerable consumers¹⁰. This means that double the rate of vulnerable consumers have been moved to prepayment meters than those who aren’t vulnerable, despite the existing safeguards. Alongside this finding, the research also showed that 7% of vulnerable consumers have been threatened with their gas or electricity supplies being disconnected, despite the high risk to their health

and wellbeing. Whilst we welcome the expansion of vulnerability criteria, there have been widespread failings to comply with current vulnerability considerations¹¹.

Based on the evidence, Consumer Scotland urges Ofgem to consider the following:

1. An expansion of the list of vulnerable characteristics:

Recent research by Citizens Advice Scotland (2023) found that suppliers were not taking certain vulnerabilities, such as CPAP machines or need for a continued energy supply for refrigerating insulin, into account when assessing consumers for PPM installation. These circumstances haven't been taken into account despite consumers being eligible for the Priority Services Register (PSR). Therefore, a stronger alignment between the PSR and criteria for PPM installation prohibitions would be welcome.

Our evidence also shows that disabled people are more likely to be rationing their energy use, report that they were unable to heat their home to a comfortable temperature and more likely to report that keeping up with their energy bills was having an impact on their mental and physical health¹².

There are also particular circumstances where consumers may be made more vulnerable because of having a prepayment meter:

- **Those who need energy for medical equipment:**
 - This could include lifts, hoists, mobility equipment, medication storage, dialysis machines, oxygen concentrators, and ventilators.
 - Evidence from Citizens Advice Scotland shows that certain medical equipment such as CPAP machines and continued supply for refrigeration of insulin have not always considered sufficient a vulnerability to preclude PPM force fit. The definition should be expanded to include equipment such as CPAP machines and energy requirements for medication storage in all circumstances.

- **Those with specific medical conditions:**
 - This could include respiratory conditions, cardiovascular disease, sickle cell disease, cancer and mental health conditions.

2. Extended and enhanced vulnerability checks and risk assessments

We would suggest that any changes to the list of vulnerable characteristics need be focussed on the needs and circumstances of consumers and the risks to them of being put on a prepayment meter. A needs and risk-based assessment could be developed which formed a standardised process for assessing safety and appropriateness of prepayment meters. Whilst there is some incorporation of this approach currently, this area needs to be explicitly developed in conjunction with research, evidence and engagement with stakeholders who represent those consumers most at risk including: disability organisations, child poverty organisations, age-related organisations, and frontline advice organisations.

A needs assessment could include questions on whether the consumer (or any adult in the household) can consistently access the meter; can manage to consistently top up their account online (note that mental health or learning disability could create difficulties in this respect, as could digital exclusion or rurality); needs access to medical equipment that requires power; enhanced heating requirements or sufficient language skills to understand the change and how it will affect them. This also includes assessment of whether these needs are likely to change in future, and whether the PPM type (i.e., remote or legacy) would be adaptable to a change in circumstances.

Additionally, a risk assessment which genuinely engages with the safety of a PPM for that household such as whether their health would be put at risk in any way, if they subsequently came off supply, or whether there could be increased levels of pain, reduced mobility, increased risks for respiratory illness. This also includes an assessment of whether there could be future risk and whether the PPM type (i.e., remote or legacy) could be adapted or switched if there is a change in circumstances.

Notably, the Financial Conduct Authority have highlighted that to achieve good outcomes for vulnerable consumers, there is an onus on firms to understand the needs of their customer base; make sure there is sufficient staff skills and capability to recognise consumers in vulnerable circumstances; respond to customer needs and monitor and assess whether they are meeting the needs of consumers in vulnerable circumstances¹³. This approach may inform Ofgem's approach to identifying vulnerable customers, expanding criteria and ensuring the welfare of consumers in vulnerable circumstances is safeguarded.

We have reproduced a case study from our forthcoming disability and the energy crisis report here:

"I use a CPAP (continuous positive airway pressure) machine, every night. How am I going to afford it. My gas and electric account debit order was £54 per month. It's now £163. Without the pump, I could stop breathing. Die." – Inclusion Scotland

Whilst this case is not all specifically PPM, they do highlight the risks of suppliers overlooking particular vulnerabilities such as CPAP machines in their vulnerability checks.

The below examples are taken from a recent report by Citizens Advice Scotland¹⁴ citing frontline advisors' perspectives (see report for more detail):

"She has complex physical and mental health issues, single parent with young children. Her supplier has not been sympathetic to the situation and are threatening to install a prepayment meter as debt has not been paid".

“She is disabled and has run out of money. She has a prepayment meter and is low on credit, having needed to use more in a cold snap. She has now needed to switch the heating off to preserve remaining credit for lights and has no food in the house. She has medication which requires to be taken with food, so she has not taken it”.

“Client is an 83-year-old man living alone and has a storage heater. Client says half his pension is spent on heating. He has contacted the supplier several times, but nothing has been done despite telling the supplier he is struggling mentally and physically to top up his meter”.

“Client states he has dementia and bronchitis, and after paying bills does not have enough money to buy food and his electricity meter ran out yesterday”.

“Client has fled domestic violence and has children at the property. She has depression and anxiety and is struggling with energy costs due to the cold weather”

“Clients has been without power for three days. He has health conditions, diabetes and epilepsy. He has had to destroy some insulin as it need to be refrigerated”.

“Client is a wheelchair user with complex physical and mental health issues, served notice by supplier of intention to install a prepayment meter. Her debt is £4491. Client is not able to deal with issues alone, as she is high risk and vulnerable.”

The evidence from cases such as these highlight very significant threats to the health and wellbeing of consumers in vulnerable circumstances. This supports the application of the precautionary principle and the retention of the pause on installation of PPMs until Ofgem is satisfied that there are clear safeguards in place to protect consumers from vulnerability (including safeguards should they fall into vulnerability in future). We are also concerned that legacy PPMs are not responsive to the transient nature of vulnerability due to the difficulty in monitoring, switching to credit and increased complexity of setting any debt on the meter. Smart meters also provide an easier route to switch consumers back to credit meters (or smart credit mode) once the debt has been cleared.

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

Consumer Scotland’s view is that suppliers should be required to assess financial vulnerability when assessing whether a PPM is safe and reasonably practicable. Whether through choice or enforcement, the decision to move to prepayment is likely to be motivated by budgeting considerations or the repayment of debt. In 2019, Ofgem incorporated its ability to pay principles within the supply licence¹⁵, and therefore conversations about financial health should already be part of the process that suppliers follow before moving a consumer to a PPM. The threat of subsequent disconnection from supply, if the household’s financial circumstances mean that prepayment is not a suitable

payment option, should always be the primary consideration as part of the safe and reasonably practicable assessment.

Consumer Scotland does however recognise that there are challenges here. A household that is facing being moved to prepayment for the purposes of debt recovery is almost certain to be displaying at least some characteristics of financial vulnerability, which raises wider questions about the suitability of prepayment meters as a debt recovery tool. There is also a lack of alternative debt recovery options to prepayment, particularly in lieu of Third-Party Deductions for energy debt (Fuel Direct)¹⁶, which reduces choice for consumers and suppliers alike. We also know that financial vulnerability can be transient in nature, meaning that a household's financial circumstances can change after the move to prepayment has taken place, which may mean it is no longer suitable. In the case of forced installations of legacy PPMs, reversing this action may be difficult – this can take time, or suppliers may be hesitant to reinstall a credit meter where a household has a history of payment difficulty.

There should also be a regular review process once some is on a PPM to look at whether a PPM continues to be appropriate to the consumers circumstances, with the option of switching back to a credit meter if it becomes unsuitable or their debt is cleared.

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

Consumer Scotland's view is that the supply licence should explicitly state that prepayment meter installation under warrant, or the equivalent remote switch via a smart meter, is a 'last resort'. This position is in-keeping with the need for a more prescriptive approach, and for expectations on suppliers to be clear and concise to ensure that the rules are consistently applied.

As above, the precautionary principle should be applied, and the burden should sit with suppliers to prove 'no vulnerability' exists before proceeding with a PPM installation. If this cannot be demonstrated then a PPM should be deemed inappropriate for that consumer. This includes instances where a consumer does not engage – a failure to engage may even be an indicator of vulnerability in some circumstances, or a reluctance to face a difficult situation such as a debt becoming unmanageable.

Within reason, suppliers must make all efforts possible to engage a consumer before proceeding to prepayment, to inform the consumer of the benefits and risks, and to signpost to wider support where appropriate. This may involve different means of communication, such as phone, letter, text or email which are accessible and clear.

This contact should include a face-to-face pre-disconnection visit to assess for potential vulnerability, including for remote mode switches, where the supplier is unable to suitably determine that the conditions for prepayment are safe and reasonably practicable, through other means such as recently verified consumer data.

We would also like to see consumers have an automatic right to switch away from prepayment meters (or smart PPM mode) to credit once the debt on the meter has been cleared.

7. Our disconnection rules stress specific characteristics to be considered ahead of disconnection. Are these characteristics sufficient to account for the vulnerable circumstances being seen today?

No, as per our response to question 4, Consumer Scotland believes that there are additional characteristics and circumstances, to those currently outlined in the disconnection rules, which should be included as vulnerable circumstances, and for which forced prepayment installation, or equivalent remote mode switch, should be banned. These are:

- **Those who need energy for medical equipment:**
 - This could include lifts, hoists, mobility equipment, medication storage, dialysis machines, oxygen concentrators, and ventilators.
 - Evidence from Citizens Advice Scotland shows that certain medical equipment such as CPAP machines and continued supply for refrigeration of insulin have not always considered sufficient a vulnerability to preclude PPM force fit. The definition should be expanded to include equipment such as CPAP machines and energy requirements for medication storage in all circumstances.

- **Those with specific medical conditions:**
 - This could include respiratory conditions, cardiovascular disease, sickle cell disease, cancer and mental health conditions.

SLC 27.11 references ‘disabled and chronically sick’ consumers amongst groups which suppliers should take all reasonable steps to avoid disconnecting for debt in winter. Whilst this stipulation is welcome, Ofgem should consider strengthening this protection and ban the forced installation of PPMs entirely for these groups of consumers, on the basis that they are more likely to suffer adverse or life-threatening impacts of being disconnected from heat and/or power.

There is also a question about whether legacy PPMs are responsive enough for suppliers to react to a change in circumstance which may make a consumer more vulnerable. Any consumer has the potential to fall into vulnerability, due to a change in circumstances, either in the short or longer term¹⁷. We are concerned that legacy PPMs may leave people at risk of falling into vulnerable circumstances in the future.

8. Do you consider that the rules for legacy and smart prepayment are appropriately aligned to ensure sufficient and equivalent protection, no matter the meter type? If not, what changes should be made?

No, Consumer Scotland does not consider the rules for legacy and smart prepayment meters to be appropriately aligned to ensure sufficient and equivalent protection. Evidence

from our Scottish Energy Insights Coordination group, as well as from Citizens Advice, shows that remote switching has caused significant consumer harm.

In the short-term, this can cause confusion and upset for consumers if they do not realise that the mode switch has taken place, and longer-term the health and wellbeing of consumers in vulnerable circumstances can be put at risk if they cannot maintain access to energy supplies.

For example, Advice Direct Scotland has reported the following cases:

- 1. Customer is particularly vulnerable and has been placed on the priority services register. The supplier advised the customer that they had obtained a warrant to enter their property and force-fit a PPM. At this stage, the customer challenged the supplier and asserted that he does not want a PPM fitted in his property. We ascertained that the supplier claims to have issued several letters regarding advance notice of the PPM installation, whilst the customer states that they have received no communication regarding the switch. Additionally, whilst the supplier has acknowledged the customer's vulnerability, they also stated that they proceed to fit the PPM "unless it's a matter of life and death". The customer contacted us again to advise that they have been remotely switched to PPM mode but had not received any information or advice on how to top up their meter. Customer is now dealing with the EHU.*
- 2. Customer has significant vulnerabilities as a result of a traumatic brain injury which stems from domestic abuse by a previous partner. Due to short-term memory issues, the customer receives assistance from carers. One of the customer's support workers had contacted us on her behalf due to her being remotely switched to a PPM without any correspondence from the supplier. This customer is on a low income, with her only income generated through benefits. As a result, she is unable to afford topping up her meter. The customer has been referred to the EHU, with additional support provided by our Home Heating Support Fund through the provision of energy fuel vouchers.*
- 3. Customer experiences a range of health issues and requires an uninterrupted energy supply to ensure that their medical equipment continues operating. As the customer was in £300 worth of debt to their supplier, he was remotely switched to a PPM. However, as the customer had received no notification of the switch, or information on how to top up, he had assumed that his supply was cut-off. Furthermore, the customer's debt repayment level was set at £7 per week, which is unmanageable for someone on his income level. The customer was transferred to the EHU, with an immediate case referral made to Ombudsman Services as a result of sustained difficulties in contacting the supplier. This customer is also receiving support from our Home Heating Support Fund for the debt to their supplier.*
- 4. Customer has a range of health issues, including limited mobility and sight loss. They have over £1000 of debt with their supplier. The customer had previously attempted to arrange a payment plan with their supplier but was only capable of affording a maximum repayment of £130 per month. However, the supplier refused to accept a repayment level which was lower than £300. The customer was subsequently switched to a PPM remotely. Although the customer is particularly vulnerable and remains unhappy with the arrangement, the supplier has refused to address the issue. This customer was referred to the EHU, with the case*

passed to Ombudsman services. The customer has also received support from our Home Heating Support Team for their outstanding energy debt.

It is vital that households are protected regardless of their metering infrastructure and given that there is no material difference in outcomes between legacy installs under warrant and unconsented mode switching, we would suggest that Ofgem aims to equate these actions across the licence code and in its guidance to suppliers.

9. Suppliers are responsible for the acts of their contractors and their compliance with relevant licence conditions, but should we consider specific guidance for suppliers on how they manage third parties involved in the installation of PPMs?

Yes, Consumer Scotland agrees that Ofgem should provide greater guidance on the management of third parties installing PPMs. The British Gas case¹⁸ illustrates the gap in regulation and guidance for suppliers as well as exposing the failings in supplier management of third-party debt collection agencies which has led to breaching of the licence conditions, consumer protection and safeguarding for consumer protection. The onus is on suppliers regarding monitoring, scrutiny and due diligence into any third parties used for the installation of PPM or wider debt collection activities. Greater and specific guidance from Ofgem would be welcome.

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

Not answered

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

Consumer Scotland does not have a defined view on load limiting as an alternative to disconnection at this point. To make an informed decision about the possibility of load limiting, Consumer Scotland would like to see research on the costs, benefits, implications and unintended costs. We would like to see research which includes genuine consumer engagement, as well as an assessment of impacts on different groups of consumers such as larger households, high energy users such as disabled people and multi-generational households. The differences between household size or characteristics may impact on energy use and requirements. Our preference would be for a solution which prioritises no disconnection or extremely limited or exceptional disconnection.

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

Not answered

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

Consumer Scotland recognise the benefits of smart PPMs, when properly deployed within the license condition (with enhanced protections), which can both help suppliers to monitor those with affordability challenges or at risk of disconnection. Particularly, we recognise that smart meters provide greater adaptability and opportunity to respond to changing circumstances that may make consumers vulnerable such as a change in health which requires constant energy supply. It also provides an opportunity to simplify the process for setting debt recovery rates on the meter.

However, given the issues with the current smart PPM deployment, re-installation of smart PPM should not resume until there are sufficient safeguards and protocols in place. There is a concern that remote switching, particularly without informed consent, vulnerability checks and exhaustion of all other options, may perpetuate the detriment associated with inappropriately installed PPMs (see Q4).

The lack of sufficient regulation, and breaches to compliance with existing rules, may have led to a breakdown in consumer trust for smart PPM installation. Therefore, there will need to be further work and engagement with consumers to reassure them that the problems in the system have been fixed.

Possible actions that Ofgem and suppliers can take to improve smart PPM rollout includes:

- Clear processes for informed consent when switching any consumer, outside of a forced installation process, with clearly articulated explanation of the risks and benefits of a smart PPM
- Access to timely and easy-to-navigate redress and compensation for consumers, when a smart PPM has been wrongly installed
- Assurance for consumers that can easily switch back when:
 - the debt is paid, and they no longer wish to remain on an PPM
 - if their circumstances change and PPMs are no longer safe or appropriate for them
- Consumer engagement (once sufficient and strengthened protection is in place) which explains risks and benefits, along with outlining what steps consumers can take if they experience any detriment. This includes engagement on both the risks and benefits of prepayment meters but also the benefits of smart meters compared to legacy meters.
- Ofgem and suppliers to explore benefits that smart PPM consumers may access, if they are on a smart rather than legacy meter. For example, this could be free periods of volumes of energy for basic needs.

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

Consumer Scotland would like to see parity between PPM and direct debit tariffs (as a minimum). As PPM consumers are the most likely to be low income, fuel poor and financially vulnerable, there are fairness and access issues caused by the higher costs of prepayment meter usage for consumers. We view this question within the wider context of social tariff discussions.

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

Consumer Scotland would support requirements for PPMids for consumers, where they can be safe and reasonably practicable. However, Consumer Scotland would like to highlight that it would not be in the consumer interest to be provided with prepayment metering infrastructure which they cannot reliably use – and therefore, would not be safe and reasonably practicable. Applying the principles of the licence code, we would expect suppliers to identify cases where PPMids are not safe or practicable – for example, where data poverty, a lack of reliable WAN access or lack of knowledge or confidence to use the technology would present an unacceptable risk of consumer detriment. However, there may be instances where these risks can be mitigated, such as through provision of a suitably accessible PPMID to overcome or safeguard against WAN connectivity issues or through improving access to emergency credit.

As outlined above, we would like to see greater consideration of risk assessment in PPM installation. It may not be necessary for a supplier to demonstrate that (for example) WAN access is unreliable, but that the risk to the consumer of unplanned disconnection from the WAN would present unacceptable risk. We would also expect suppliers to take such steps as are necessary to proactively identify cases of recurrent WAN (dis)connection issues and/or issues with accessing emergency credit and intervene or review the appropriateness of the technology.

Any move to a more universal provision of PPMIDs would in our view need to be funded by all domestic consumers. We recognise the challenge in distributing costs fairly between different fuels but do not currently take a view on how best this can be achieved. Its benefits would also need assessed in the context of its overall cost to consumers and the impact on suppliers' ability to meet their post-2020 smart meter obligations. As this assessment has yet to be undertaken we are unable to form a view as to whether this would represent a better option for consumers.

If there is evidence that suppliers are not consistently meeting the expectations set out above under current arrangements, it may therefore first be necessary for Ofgem to provide guidance on the use of PPMIDs to help identify best practice and drive up standards across the industry. This guidance should be prepared in conjunction with groups representing the interests of consumers in vulnerable circumstances, and consumers with lived experience of vulnerability.

For further questions or to follow up on any points, please contact Grace Remmington, Energy Policy Manager at grace.remmington@consumer.scot

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- ¹ Scottish Housing Condition Survey (2019) [Key Findings](#)
- ² Citizens Advice Scotland (2023) [Frontline perspectives: clients' journeys with prepayment meters](#)
- ³ Citizens Advice (2023) [Kept in the dark – the urgent need for action on prepayment meters](#)
- ⁴ Citizens Advice Scotland (2023) [Frontline perspectives: clients' journeys with prepayment meters](#)
- ⁵ Vulnerability Registration Service (2022) [Vulnerable Consumer Exclusion Report](#)
- ⁶ Commission on Consumers in Vulnerable Circumstances (2019) [Final report](#)
- ⁷ Ofgem (2016) [Decision to modify SLC 28.1B guidance](#)
- ⁸ Citizens Advice (2023) [Kept in the dark – the urgent need for action on prepayment meters](#)
- ⁹ CAS (2023) [Frontline perspectives: clients' journeys with prepayment meters](#)
- ¹⁰ Vulnerability Registration Service (2022) [Vulnerable Consumer Exclusion Report](#)
- ¹¹ CAS (2023) [Frontline perspectives: clients' journey with prepayment meters](#)
- ¹² Consumer Scotland (2023) Disability, health and the energy crisis (forthcoming)
- ¹³ Financial Conduct Authority (2021) [Guidance for firms on fair treatment of vulnerable customers](#)
- ¹⁴ CAS (2023) [Frontline perspectives: clients' journey with prepayment meters](#)
- ¹⁵ Ofgem (2020) [Self-disconnection and self-rationing: decision](#)
- ¹⁶ [A guide for energy suppliers \('Fuel Direct'\) - GOV.UK \(www.gov.uk\)](#) – 9 February 2023 update
- ¹⁷ Competition and Markets Authority (2019) [Consumer Vulnerability: challenges and potential solutions](#)
- ¹⁸ The Times (2023) [Exposed: how British Gas debt agents break into homes of vulnerable](#)

