



## **Response to Ofgem Call for evidence on prepayment meter rules and protections for domestic consumers**

February 2023

### **About Fair By Design**

Fair by Design is dedicated to reshaping essential services, such as energy, credit and insurance, so they don't cost more if you're poor. We collaborate with industry, government, and regulators to design out the poverty premium.

In the context of the energy market, we believe that households on low incomes/living in poverty should not incur a poverty premium based on the way they pay for their energy. We would like to see those on prepayment meters and those who pay by standard credit paying no more for their energy than those who pay by direct debit.

But we also believe that households on low incomes should have fair access to energy. We are concerned about people on a PPM who do not have easy access to a shop or outlet where they can charge up with prepayment meter credit. And we are particularly concerned that those on low incomes who are moved over to a prepayment meter are effectively being disconnected because they cannot afford to keep their meter topped up, hence our support for a social tariff.

Please note that we consent to public disclosure of this response.

For more information about this response please contact Maria Booker:

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### **Question 1: Does Ofgem have the right balance between principles-based regulation (Standards of Conduct and Vulnerability Principle) and prescriptive rules (SLCs, guidance) to guide suppliers when installing or remote switching to PPMs? Please explain.**

As stated by a number of organisations in the workshop for consumer groups on the 27<sup>th</sup> February, we believe that greater prescription is needed when it comes to moving consumers over to a prepayment meter.

The participatory research project Fair By Design carried out in partnership with Ofgem and Toynbee Hall on the transition to net zero<sup>1</sup> showed that people on low incomes welcomed the

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<sup>1</sup> <https://www.toynbeehall.org.uk/wp-content/uploads/2022/09/Toynbee-Hall-Net-Zero-Report-29-09-2022.pdf>

multidimensional and dynamic definition of vulnerability adopted by Ofgem<sup>2</sup>. However, Ofgem's Consumer Vulnerability strategy states that energy companies have expressed difficulty "operationalising" this in practice. This was backed up by the experience of low-income participants in our research who did not feel supported by their energy supplier. The experience of the past winter has added significantly to the evidence that the principles approach taken to date has led to variation in practice amongst suppliers and the mistreatment of vulnerable consumers.

We believe the onus should be on the supplier to prove that a household is not vulnerable before switching a household to a PPM. Given that access to energy has the potential to be a matter of life and death, we would support a ban on forced installations of prepayment meters until suppliers have proven their ability to identify vulnerable consumers more effectively and/or further market reforms have been enacted, such as introducing a social tariff.

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

As above, we believe the onus should be on the supplier to show not only that it has attempted to contact the customer through a variety of methods but has succeeded in doing so. We are concerned about stories shared by other charities of people having gone into hospital for example, and coming home to find that they have been put on a prepayment meter, or finding that a prepayment meter has been installed due to the debt of a previous occupier of the property. And once this has happened people find that a significant amount of money is consumed paying standing charges or recovering debt before any energy is used.

The supplier should be able to evidence that they have offered adequate support and discussed all reasonable alternative options. In particular, we would like to see the supplier required to assess whether any member of the household is currently vulnerable before progressing to PPM in the debt journey. This should involve checking for a more prescribed list of characteristics whilst also bearing in mind that no list will ever be comprehensive. Having more prescribed processes by Ofgem would lead to greater consistency and clarity. However, suppliers will need to continue to use their own judgement as to whether a particular household may meet the spirit of the vulnerability criteria, even if not the letter. If the supplier is not able to carry out this assessment, they should assume the household is vulnerable.

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

We have no strong view on the term itself. However, there must be clarity and a shared understanding of what the term means.

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<sup>2</sup> "when a consumer's personal circumstances and characteristics combine with aspects of the market to create situations where he or she is significantly less able to protect or represent his or her interests; and/or significantly more likely than a typical domestic consumer to suffer detriment or that detriment is likely to be more substantial (<https://www.ofgem.gov.uk/publications/consumer-vulnerability-strategy-2025> p9)

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

We would like to see clear and consistent guidance on vulnerable characteristics whilst continuing to recognise the dynamic and multifaceted nature of vulnerability. At present Ofgem’s guidance to suppliers on “safe and practicable”<sup>3</sup>, varies from the guidance on who can be disconnected for bad debt<sup>4</sup> which differs from the guidance on who is eligible to be on the Priority Services Register on Ofgem’s website<sup>5</sup>. We are aware that NEA, Scope and others have more in-depth knowledge of the medical conditions and disabilities which are currently missed.

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

If a social tariff is introduced in future, and this is directed towards those on low incomes/at risk of fuel poverty, as well as vulnerable groups, via data matching, this should help energy suppliers to identify financially vulnerable customers who are financially vulnerable. Our joint briefing for officials on a social tariff can be found [here](#)<sup>6</sup>.

Our preferred option would be for the temporary ban on forced installations of PPMs to be maintained until a social tariff is introduced. Failing that, we would welcome Ofgem considering how suppliers can assess financial vulnerability. This should go beyond looking at benefit recipients. Low-income participants taking part in our Participatory Action Research on the transition to net zero raised a variety of circumstances where non-benefit recipients might be considered financially vulnerable such as those in low-paid work or on zero-hours contracts, carers, single parents, and large families.

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

We have no strong view on this question. If forced installation is allowed at all, then it should of course be a last resort. Having prescribed processes in place, and a clear enforcement regime for those suppliers who do not follow it, should make it clear that it is a last resort, but we see no harm in this being explicitly stated.

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

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<sup>3</sup> [https://www.ofgem.gov.uk/sites/default/files/docs/2016/03/open\\_letter\\_-\\_authoritys\\_decision\\_to\\_modify\\_the\\_safe\\_and\\_reasonably\\_practicable\\_guidance\\_-\\_final.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2016/03/open_letter_-_authoritys_decision_to_modify_the_safe_and_reasonably_practicable_guidance_-_final.pdf)

<sup>4</sup> <https://www.ofgem.gov.uk/information-consumers/energy-advice-households/check-prepayment-meter-rules>

<sup>5</sup> <https://www.ofgem.gov.uk/information-consumers/energy-advice-households/getting-extra-help-priority-services-register>

<sup>6</sup> <https://fairbydesign.com/wp-content/uploads/2023/02/Joint-briefing-for-Dept-of-Energy-on-social-tariff-Feb-22-Final-1.pdf>

No. There is significant room for interpretation over what “disabled”, and “chronically sick” means. Signing the vulnerability commitment is only voluntary meaning that energy suppliers who have not signed up to this can disconnect households with children and households where the welfare of a household member may be put at risk which is unacceptable.

This winter has shown that in the current climate “self-disconnection” is very close to disconnection. Ofgem should therefore align or be able to justify any differences between the criteria for forcing someone onto a PPM and the criteria for disconnection.

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

In the first instance we do not believe that legacy meters should be installed going forward. We would like to see continuing incidences of legacy meters being installed being scrutinised more closely. Smart meters offer better protection to consumers whose vulnerability may change over time, as they can be switched back to credit mode very simply. Given the ambition of the smart meter roll out, we would be concerned if suppliers genuinely felt smart meters could not be adapted for particular groups of consumers.

However, Ofgem should make clear to suppliers that the process for remotely switching a smart meter to prepayment mode is the same, and just as stringent, as the process for physically installing a meter in someone’s home up to the point of applying for a warrant.

We are concerned that incidences of remote switching, without proper due diligence, are causing further damage to the reputation of smart meters, adding to the damage caused by technological issues, and lack of trust in some cases. It is imperative that Ofgem acts to protect and promote smart meter rollout through either a ban on forced remote switching or at a minimum having robust and consistent processes in place. We would welcome Ofgem looking at whether an independent body should be involved in signing off on any remote switching in a process equivalent to the role the courts are supposed to play in signing off warrants for physical installations. Furthermore, we would like to see suppliers obliged to proactively offer consumers the option of going back to credit mode when debt has been repaid.

Fair By Design is clear that whilst recent debate has been on the process of moving households over to prepayment mode, we must not forget the 4m households who are already on them. We welcome the recognition of this in the call for evidence. Ofgem must ensure suppliers do much more to carry out their obligations under the current guidance to monitor the disconnection activity of prepayment customers and to offer support. Smart meters are much better at facilitating this obligation.

In addition, legacy PPM customers should be prioritised in the smart meter roll out. We are pleased to hear that Smart Energy GB are prioritising prepay meter customers in 2023

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

Fair By Design is clear that suppliers must be held accountable for the actions of their contractors but that contractors also need to be clear about whether they are being instructed appropriately, but have no view to offer on how this should be done.

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

In summary we would like to see those on PPMs (and standard credit) paying no more for their energy than those on direct debit, including looking at whether standing charges are appropriate for PPM customers.

Furthermore, Fair By Design would like to see only smart meter PPMs going forward and a concerted push to get rid of legacy PPMs as soon as possible. However, at the same time Ofgem needs to do all it can to build confidence in smart meters, for example, by ensuring that no household can be unknowingly switched to prepayment mode and that customers reap the benefits of being switched back to credit mode.

**Question 11: Should we explore load limiting? - a) What are your views on load limiting as an alternative to disconnection or self disconnection? Would you support the introduction of load limiting? - b) Have you completed any work that considers this option? What are your views on the technical feasibility? Where possible, please include information on any testing and assurance completed to date and IT/DCC adapter support capability.**

We have not done any specific work on load limiting. Whilst in theory having some access to energy is better than none, we are concerned about the practicalities of implementation. For example, what is enough for one person living on their own, is unlikely to be sufficient for a family with a number of children. It would still be extremely important to identify those who would be vulnerable on a limited load of energy.

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

As explained above, we believe that legacy PPMs should only be installed in exceptional circumstances. Therefore we would support restrictions on warrant cost recovery for traditional PPM installations.

See question 8 – Ofgem must do all it can to promote confidence and trust in smart meters by ensuring that people can be confident that there are robust processes in place governing remote switching, if this is permitted at all.

Ofgem must also take into account that there are significant trust and privacy concerns to overcome in relation to smart meters. Our Participatory Action Research on the transition to net zero found that one participant was worried that smart meters could be harmful to health due to radiation. Other participants felt that their energy costs or the energy costs of those they knew had gone up after having a smart meter installed. Many participants had a lack of confidence around what data was being shared, with who, for what purpose. They were concerned for example that others may be able to tell when they were not at home or when they had visitors. Any action Ofgem and Smart

Energy GB can take to address misinformation and to provide clear, accessible information around what happens to people's data, would help build confidence in smart meters.

**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?**

Yes. Prepayment meter customers are disproportionately on a low income<sup>7</sup>. It is a core belief of Fair By Design that consumers on low incomes who are already least able to pay, should not be charged more for an essential service such as energy, because of the way they pay for it. This applies equally to standard credit. Any additional costs, which should be scrutinised closely, should be mutualised, even if this results in other tariffs rising slightly.

Going forward, when most households have a smart meter, it is hard to see why there would be a significantly different cost to serving a PPM customer compared to a direct debit customer. Therefore in future we would expect these costs to decline significantly.

Our Participatory Action Research on the transition to net zero identified that standing charges were viewed as unfair by low incomes participants because low-income households use less energy on average but everyone is charged the same flat rate for the standing charge.

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

We would like to understand more about how people on low incomes feel about these devices becoming coming to a view.

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<sup>7</sup> <https://assets.publishing.service.gov.uk/media/576bcbf2e5274a0da900007e/appendix-9-6-prepayment-fr.pdf>