



## Prepayment self-disconnection and self-rationing: a call for evidence

### **Question 1**

***Are there any categories that we have not captured in Table 1? We welcome views and evidence on the main causes of self-disconnection and groups of customers who are more likely to self-disconnect and experience detriment.***

We broadly agree with the categories, although we do have some comments.

It is worth noting in the affordability section that some customers in zero hours contracts may temporarily be in financial hardship on an ongoing basis.

Some customers regularly choose to wait until they have run out of credit and emergency credit before topping up, in preference to monitoring the amount of credit on their meter; this may be an affordability issue but could also be the way they choose to manage their energy consumption. There is also a small number of customers who prefer to prioritise other consumables over energy; these customers often do not perceive that they need debt assistance as they choose to manage their finances in this way.

Customers who choose self-disconnection as a lifestyle do not necessarily fall under the affordability, operational or forgetfulness categories; they may have adequate financial and operational means but choose not to keep their meter topped up.

The rollout of Universal Credit has resulted in individuals having to wait several weeks before they receive their benefits, aggravating any financial issues they already had, and we believe this has inflated the numbers of customers who have self-disconnected or self-rationed since it was introduced.

We also believe that the poor energy-efficiency of the housing stock in Great Britain exacerbates issues for vulnerable customers, who often live in the most poorly insulated homes. We welcome the government's recent decisions to strengthen the provisions of the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 for domestic properties<sup>1</sup>, but we believe more needs to be done; improved housing stock would result in lower energy bills and better health for customers.

### **Question 2**

***We seek views and evidence on how self-disconnection and self-rationing is being monitored for customers on traditional PPMs. We welcome views on how effective current practices are.***

We appreciate that there is a lack of consistency in the way self-disconnection and self-rationing is monitored by different suppliers. We discuss here, therefore, our own practices.

We do not have access to real-time data from traditional PPMs to indicate when a meter has run out of credit/emergency credit. This information is not available to us until the customer vends again, by which time any short-term affordability issues may have already been resolved.

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<sup>1</sup> <https://www.gov.uk/government/consultations/domestic-private-rented-sector-minimum-level-of-energy-efficiency>



We monitor where traditional PPMs have experienced periods of self-disconnection and prioritise contacting customers with a known vulnerability (particularly where heating or electricity is needed for medical reasons) to offer assistance.

We also use PPM data to look for changes in vending behaviours which could indicate a customer is having payment difficulties and therefore is at risk of self-disconnection. Where changes are noted, a prompt is added to the customer's account record; if the customer calls us, the advisor can sensitively probe for further evidence of payment difficulty and offer appropriate assistance. We believe this can help prevent customers resorting to self-disconnection by pre-empting any issues.

We are currently testing ways of using smart data to identify and support customers who we believe are self-disconnecting and self-rationing. We will continue to test and learn ways of better monitoring of self-disconnection and self-rationing as we gain more experience of smart PPMs.

### **Question 3**

***We seek evidence of examples where PPM customers were at risk of self-disconnection or who self-disconnected for affordability and/or operational and/or forgetfulness reasons, the impact on these customers, and how the situation was resolved.***

We have a dedicated team to support customers who pre-pay for their energy and who are recorded on our Priority Service Register as vulnerable – the Customer Support & Solutions function. As explained in question 2 above, we make proactive contact with vulnerable PPM customers to understand their situation, whether they are off supply and if they require assistance.

The following is an example of an interaction we had with one of our PPM customers, which describes the efforts we go to in contacting our customers and assisting them.

We attempted to make contact with a customer who, having received a discretionary credit to the meter two weeks previously, had not subsequently topped up his meter. We were concerned the customer may be off supply.

We were unable to make contact with the customer over the phone as his voicemail was on; we thought it was possible he had been unable to charge his phone due to having no electricity supply. We started to arrange an urgent home visit from one of our Customer Support specialists; our advisor used Google 'Street View' to ascertain whether the meter was located outside the property which would allow us to acquire more information in the event the customer was not at home. The advisor was thus able to identify that the customer lived above a shop. He called the shop to ask if they knew the person living above; they did and were willing to knock and ask if the customer would come down and talk to us.

The customer confirmed he was off supply. He was starting a new job the following Monday which was weekly paid; he confirmed that after his first week he would be able to afford to top up and cope with a small debt repayment plan as well. We made sure the customer had enough discretionary credit to see him through until he was paid and encouraged him to contact us if he found himself in the same situation again.

### **Question 4**



***We seek views on what great support service looks like for customers at risk of self-disconnection or who self-disconnect. We welcome examples of supplier good practice in dealing with self-disconnection and self-rationing.***

In our response to question 3 we have provided an example of what we believe is great support service.

We receive outstanding customer feedback for our advisors who support customers in financial difficulties. These customers refer to our advisors as being caring, empathetic, helpful and understanding. They tell us that our advisors have been positive in their approach and have alleviated their worries.

We do not in any way restrict the length of conversations our advisors can have with vulnerable customers who have self-disconnected or self-rationed, or who are at risk of doing so. We recognise that some customer circumstances are very complex, that customers feel overwhelmed and emotional and that it has taken courage to call us. We are therefore very careful not to bombard them with information or multiple calls to action; we prioritise the intervention that will have the best possible impact for the customer. Our advisors are trained to put themselves in the customer's shoes, and we believe this helps them find outcomes that satisfy the customer's needs.

We believe that listening is a key skill for advisors, and that they must be free to take decisions on the best way to help customers. All of our advisors are trained to really listen to each customer to understand their situation and how it is impacting on their daily life. Advisors are empowered to do what is appropriate to help a customer resolve their immediate and ongoing concerns. We believe it is important that our advisors genuinely care about helping our customers and do whatever is required to achieve a good outcome, including removing a PPM if they feel that is in the customer's best interests.

A further example of the great support that can be provided to customers is as follows. It shows how we go the extra mile, and how our advisors react sympathetically and practically to help our customers.

A customer contacted us from hospital as she was receiving emergency treatment for cancer and was concerned that her teenage children at home did not have enough money to top up her gas meter. This customer was understandably distraught and emotional; our advisor was able to reassure her and listen to her personal story. She liaised with colleagues in the business to reduce the customer's debt repayment amount to zero and to apply discretionary credit to the meter to last for two weeks. The customer's gas and electricity accounts were placed in a 'hold' status to give the customer the chance to get back in touch once she was discharged from hospital. We have since reviewed the debt repayment rates with the customer and supported her application to our Energy Fund to clear her debt balance.

#### ***Question 5***

***We welcome views from all stakeholders on the emergency, friendly, and discretionary credit functions. How well do you think these features work?***



Clearly, emergency and friendly credit are essential to ensure customers have continuity of supply at times where it is not possible to vend. It is most useful, therefore, in helping customers who are at risk of self-disconnecting for operational reasons. It is rarely sufficient, however, for those with affordability issues, for whom it may just prolong the time before they self-disconnect.

A significant benefit of friendly hours is their flexibility; they can be adapted to particular circumstances, such as severe weather events like the beast from the east. We also have the capability to offer different friendly hours for different groups of customers, although not for individual customers. Each supplier is likely to have its own version of friendly hours, which may lead to confusion for customers switching from one supplier to another.

Many customers regularly make use of emergency credit and it is not always clear whether this is due to insufficient funds; some customers prefer to wait until the last possible minute before topping up.

Discretionary credit is useful to help customers cope with short term financial problems. However, some customers tend to get into a cycle where they receive discretionary credit, top up, use their credit, make full use of emergency credit and friendly hours and ask for discretionary credit again. Customers who have to resort to this type of help on a regular basis clearly need debt advice and assistance; there is a trade-off between helping a customer to get back on supply as quickly as possible and not adding to debt they have no realistic means of repaying. We therefore believe that discretionary credit should only be used as a stop-gap while longer term solutions are put in place.

#### **Question 6**

***We welcome examples of any recent good practice examples on steps taken to provide sustainable support to PPM customers who self-disconnect and/or self-ration.***

Our examples in questions 3 and 4 are an indication of the practical steps that can be taken.

#### **Question 7**

***We welcome views on how you perceive the collaboration between stakeholders should operate and what type of organisations you believe will play a central role in this process.***

Close collaboration between organisations that provide consumer advice (particularly debt advice) and energy suppliers is essential. They need to be aware of the services offered by each other so that consumers are given the right advice and receive help as quickly as possible. They can also learn from each other what works best and how improvements can be made.

We currently have good collaboration with larger consumer advice organisations, and we believe most other suppliers have similar relationships. However, many smaller organisations offer consumer advice but we are not always aware of their existence, and we cannot always be sure if they are reputable. A central register of accredited or trusted organisations would be useful for this purpose.

At E.ON, we abide by a 'fair share contribution' policy, whereby we make additional payments to some debt advice organisations on top of voluntary contributions. We are aware that not all suppliers take this approach and therefore receive free assistance. This creates an unlevel playing field; we would welcome a more formal footing for funding of these organisations.

We have had discussions with various water authorities on ways we may be able to work together to assist vulnerable customers; however, there are data protection issues to overcome. There have also been discussions with the Department of Work and Pensions (DWP) around data sharing.

There is currently no level playing field for vulnerable customers in the market. Smaller suppliers are likely to have less experience of dealing with vulnerable consumers and may not have adequate processes in place to identify vulnerability and to provide the right kind of support; some new entrants have entered the market poorly prepared to operate as an energy supplier and provide good customer service to mainstream customers, let alone to those who are vulnerable. We welcome Ofgem's current consultation<sup>2</sup> that aims to look at ways to strengthen the supply licence application process and proposes ongoing monitoring of all suppliers' financial resilience. Ofgem should also consider monitoring more closely the customer service capabilities of smaller suppliers; those below a certain threshold are exempt from regular reporting in this area.

We welcome the government's proposal to introduce statutory debt repayment plans in England and Wales. This will provide another tool for debt advisors and should help customers to manage their financial situation better and suppliers to receive payment.

There are, of course, additional costs in providing services to vulnerable customers, and this risks such customers being seen as commercially unattractive. A supplier whose portfolio is made up of a greater number of vulnerable customers and/or who takes its corporate responsibilities seriously is at a significant disadvantage. Customers of such a supplier pay a greater share of social obligations, whilst customers of suppliers with smaller vulnerable portfolios and/or who offer a poor service to those customers are awarded with cheaper prices. It is important that a solution is found for the market as a whole, to make servicing vulnerable customers equitable.

There are a number of policy actions that government could take instead of, or in addition to, the implementation of wide price caps that would have a more positive and sustainable impact on customer' bills and on the industry as a whole. For example:

- The recent Helm review proposed moving certain legacy costs to taxation. This would allow up to £200 a year to be taken off the average energy bill for all customers.
- VAT could be removed from energy bills, which could result in a saving on bills of around £50 a year.
- As stated in our response to question 1, the energy efficiency of housing stock in Great Britain should be improved, and properties should be brought up to at least the national average Energy Performance Certificate (EPC) D standard. This could save around £2,000 off energy bills of families living in the least energy-efficient homes<sup>3</sup>. Further action could be taken to designate energy efficiency as a national infrastructure priority, with policy and funding levels brought forward that match the ambition set out in the government's Clean Growth Strategy last year.
- The government could ensure that the cheapest forms of energy generation, such as onshore wind and solar PV, are attractive to build in all countries of the UK. Not only would this help households and businesses by lowering energy costs, it would also have a positive impact on the longer-term carbon reduction commitments.

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<sup>2</sup> Supplier Licensing Review consultation, Ofgem, 21 November 2018, [https://www.ofgem.gov.uk/system/files/docs/2018/11/supplier\\_licensing\\_review\\_0.pdf](https://www.ofgem.gov.uk/system/files/docs/2018/11/supplier_licensing_review_0.pdf)

<sup>3</sup> English Housing Survey, 2016: energy efficiency, Ministry of Housing, Communities and Local Government: <https://www.gov.uk/government/statistics/english-housing-survey-2016-energy-efficiency>



- The Warm Home Discount scheme could be extended to include all suppliers, not just those with more than 250,000 customers. Vulnerable customers could then benefit from a greater choice of suppliers without losing out on this valuable benefit.
- The Energy Company Obligation could be similarly extended. Smaller suppliers would also be required to contribute to funding of energy efficiency and heating measures in vulnerable households; these suppliers now supply a considerable percentage of energy consumers and their contribution to energy efficiency would not, therefore, be inconsiderable.

If suppliers are to be taken seriously, work is needed to improve customers' trust in their energy suppliers. While there have been examples of poor behaviour by some suppliers, overall we do not believe the criticism the market has received from MPs and the press is deserved. According to recent Citizens Advice research, only 9% of customers who could not afford to top up their prepayment meter contacted their energy supplier<sup>4</sup>, which is likely to be due to a large extent on lack of trust. Our own experience of pro-actively contacting customers to offer assistance is that many customers are suspicious of our motives. More credit must be given to suppliers, particularly larger suppliers, for the help and support they give to their customers, not only in their everyday dealings but through government schemes such as the Warm Home Discount (WHD) and the Energy Company Obligation (ECO).

Trust is also an issue for suppliers giving energy efficiency advice. Customers believe suppliers only have an interest in encouraging them to consume more energy so they can make more profit. Charities such as Age UK already provide advice and practical assistance to customers to improve the energy efficiency of their homes; a co-ordinated approach, supported by government organisations such as the Energy Saving Trust might be able to reach more people.

In 2018, Energy UK has initiated a Commission on Customers in Vulnerable Circumstances. The Commission has heard evidence from a variety of parties over a number of hearings. We feel that this call for evidence should take note of the Commission's findings/recommendations when it reports in early 2019 and that all suppliers, regardless of size, should collaborate on delivering service improvements based on the recommendations.

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<sup>4</sup> <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/improving-support-for-prepay-customers-self-disconnecting/>