

# **Ofgem's proposals to improve outcomes for consumers who experience self-disconnection and self-rationing**

Citizens Advice consultation response



# Introduction

Citizens Advice provides free, independent and impartial advice to anyone who needs it. We are the statutory advocate for energy and post consumers and run the national consumer helpline. Last year we helped 2.7 million people with 6.3 million problems.

We are pleased to respond to the consultation on Ofgem's proposals to improve outcomes for consumers who experience self-disconnection and self-rationing. This is a key area of concern for us. We regularly see consumers who are off supply without access to gas and electricity and consumers who regularly self-disconnect and/or ration their supply.

Our research<sup>1</sup> last year showed that 140,000 people using prepayment meters are 'self-disconnecting' each year because they could not afford to top up. The vast majority of these households that self-disconnected included a child or a person with a long-term health condition. Of those that had self disconnected, over half felt that being disconnected had negative impacts on them, both physical and emotional.

In a fair and modern society it can't be right that consumers can be left for extended periods in cold dark homes. We have called for Ofgem to set a target to end self-disconnection entirely as part of its Consumer Vulnerability Strategy.

The Extra Help Unit (EHU), our specialist support service that supports consumers in vulnerable situations, receives daily cases of consumer detriment from unmanageable debt repayments after suppliers have failed to follow the Ability to Pay principles. It is imperative that suppliers follow these principles to ensure that consumers in vulnerable situations receive the support they need. In research published earlier this year<sup>2</sup> and in our response to Ofgem's draft Consumer Vulnerability Strategy 2025<sup>3</sup> we have recommended that Ofgem moves the principles into the supplier licence conditions.

Given these concerns, we strongly support Ofgem's proposals as positive steps towards eliminating self-disconnection and ensuring consumers in debt are better supported by their supplier.

For this consultation response, we have used evidence from contacts to our general consumer service, cases from the local Citizens Advice network and case studies from the EHU. We have also used evidence from our policy research work.

This response is not confidential and may be published in full on your website.

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<sup>1</sup> Citizens Advice, [Switched On](#) (2018)

<sup>2</sup> Citizens Advice, [Supply and Final Demand](#) (2019)

<sup>3</sup> Citizens Advice, [Citizens Advice response to Ofgem's consultation on its draft Consumer Vulnerability Strategy 2025](#) (2019)

# Response to questions

**Question 1: Do you agree with our proposal to require suppliers to identify prepayment self-disconnection and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.**

Yes, we agree with this proposal.

Although many people using prepayment find it a useful way to manage their energy, we have serious concerns about the experiences of consumers who are self-disconnecting.<sup>4</sup> As highlighted in our consultation response to Ofgem's draft Consumer Vulnerability Strategy 2025<sup>5</sup> we would like to see Ofgem and suppliers take action to eliminate self-disconnections entirely. To achieve this aim, suppliers will need to identify customers who are self-disconnecting in order to offer support and assess if a prepayment meter remains safe and reasonably practicable for their situation.

Data from the Extra Help Unit (EHU) has shown a 45% increase in the number of self disconnection cases received between August 2018 to August 2019. Our research last year also showed that 140,000 people using prepayment meters are 'self-disconnecting' each year because they could not afford to top up.<sup>6</sup> Our survey found that 88% of these households contained a child or someone with a long term health condition, with 50% reporting mental health issues. Out of those households that had self-disconnected in our study, over half felt that being disconnected had negative impacts on them, both physical and emotional. Physical impacts included feeling cold, having a dark home and not being able to wash, whilst emotional impacts included financial stress, practicalities of topping up, stress and feeling ashamed and embarrassed. People responded to being disconnected by cutting back on food and heat, or by borrowing money from friends and family.

Our evidence also suggests a small proportion of self-disconnections are caused by complex issues related to chaotic life circumstances and extreme ongoing affordability issues. For example, our research found 3% of people who self-disconnected did so two or three times a month.

Identifying self-disconnection is the first step towards offering support for these customers. We agree that smart meters should make it easier to identify households that have self-disconnected, and it is disappointing that Ofgem's call for evidence showed relatively few suppliers are currently taking advantage of this functionality. We support Ofgem's

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<sup>4</sup> Citizens Advice, [Response to Ofgem's call for evidence on prepayment self-disconnection and self-rationing](#) (2019)

<sup>5</sup> Citizens Advice, [Citizens Advice response to Ofgem's consultation on its draft Consumer Vulnerability Strategy 2025](#) (2019)

<sup>6</sup> Citizens Advice, [Switched On](#) (2018)

recent decision to require suppliers to identify self-disconnections on smart meters as part of the Social Obligation Reporting from 2021 onwards.

In using smart meter data, suppliers should be sensitive and ensure they abide to data protection law. Some consumers may have privacy concerns about how their data is being used. Forthcoming research from Citizens Advice shows that whilst consumers consider "identifying vulnerability" as one of the most acceptable uses of smart meter data, they are more wary when asked specifically about their own data being used for this purpose. Such interventions are often regarded as "for other people" with views differing when it is targeted at them.

We recognise that there may be more difficulties for suppliers in identifying self-disconnections by consumers with traditional prepayment meters, although Ofgem's call for evidence has identified some approaches to using 'non-vend data' that are likely to identify more extended periods of self-disconnection. We think this is a key area that provides an opportunity for suppliers to share best practice across the industry. This could include trials, research and best practice guides.

Suppliers can also identify self-disconnection if their customers inform them and request support. Our previous research has shown that just 9% of people who could not afford to top-up their meter had asked their supplier for help.<sup>7</sup> We think consumers would be more likely to contact their supplier for help if they have a reason to do so - ie if they are aware there will be support available. As such, we support the new information requirements at SLC 28.1(bb) at the point the smart meter is installed, which may encourage consumers to contact their supplier.

Further to this, Ofgem should also set out that suppliers should provide this information to customers who use prepayment on an ongoing basis in order to comply with SLC 31G.2 (assistance and advice information). This will also ensure that consumers are aware of, and able to access, friendly and emergency credit.

We support the drafting of SLC 27A.1, which will allow suppliers to adopt their own approaches to identification and sets an 'all reasonable steps' threshold that recognises the difficulty of identifying self-disconnections for traditional metering. We expect that in practice it should be reasonable for suppliers to identify all self-disconnections on smart meters, except where there are technical faults with the meter.

**Question 2: Do you agree with our proposal to require suppliers to identify self-rationing and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.**

Yes, we agree with this proposal.

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<sup>7</sup> Citizens Advice, [Switched On](#) (2018)

We think Ofgem provides some good starting points for monitoring self-rationing and we feel this will be something that evolves over time, as best practice is identified and shared. A structured process should be used to trial and test initiatives and would be beneficial for suppliers.

We agree that smart metering provides an opportunity for suppliers to monitor self-rationing more effectively. Suppliers should develop processes to define thresholds of energy consumption that indicate a household is not using enough energy to adequately heat a property or provide a basic level of lifestyle comfort. We agree that, since suppliers already calculate estimated annual consumption and annual quantity values for each customer, it is possible for them to explore this data and flag decreases in energy consumption.

As stated in Q1, suppliers need to be cautious when using consumer data and ensure they abide by data protection law. They should put in place processes to ensure consumers have transparency and control over how their data is used.

Once self-rationing is identified, suppliers should offer appropriate support to these consumers. However, the new support requirements in SLC 27A is limited to prepayment customers. It is less clear from the consultation what support Ofgem expects suppliers should provide to credit customers who are self-rationing. If the customer is repaying a debt we would expect this to trigger a reassessment of whether the repayment levels are set appropriately, and a referral of the customer to third party support if necessary. It could also trigger an assessment of whether the consumer was on the best tariff or may be eligible for financial support, and for information on these to be provided in the most effective format for this customer (in line with existing requirements at SLC 31F and 31G).

Ofgem should set out its expectations around support for credit customers more clearly at the next stage of the consultation process.

**Question 3a: Do you agree with our proposal to require suppliers to offer emergency and friendly credit functions for all customers?**

We have previously supported both emergency and friendly credit being offered by suppliers. Although most suppliers offer these facilities we strongly agree that a requirement for them should be formalised to ensure all consumers are protected.

Emergency credit is vital for consumers in vulnerable circumstances, helping them to stay on supply in times of need. In our report last year looking into self-disconnections<sup>8</sup> we recommended that emergency credit be made easily accessible for consumers who are at risk of self-disconnecting.

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<sup>8</sup> Citizens Advice, [Switched On](#) (2018)

Our research found that around 80% of self-disconnections were down to 'organisational' causes such as customers forgetting to top up their PPM or not realising they were low on credit. Even where consumers can afford to re-connect relatively quickly, these disconnections can cause hassle and stress. Emergency and friendly credit will help protect people self disconnecting for these 'organisational' causes.

However emergency or friendly credit shouldn't be used by suppliers as a long term solution to continually help consumers in vulnerable situations. Formalising these measures incentivise suppliers to explore longer term methods of support. Consumers who are repeatedly in need of either credit should be identified as at risk of self-disconnection and self-rationing.

Suppliers should proactively contact them and reassess if a prepayment meter is still safe and reasonably practicable for that consumer. It should also trigger more support and advice from their supplier. This could include advice about their energy usage and referrals to advice charities or information about other financial support that is available such as the Warm Home Discount or the Energy Company Obligation scheme. Our research<sup>9</sup> earlier this year about consumers in energy arrears showed a low awareness among consumers of the support that suppliers should offer. Consumers should be made aware that emergency and friendly credit is available from their supplier to help prevent being disconnected from supply.

For suppliers who are unable to offer emergency or friendly credit due to technical reasons it is important that they explore suitable alternative arrangements that could be offered to their customers. We agree that for traditional gas meter customers without emergency credit built in, suppliers should provide emergency credit via a 'wind-on'. We also agree that the alternative form of support should be provided in a timely manner. We would suggest that Ofgem considers the maximum period for 'timely' support should align with the Guaranteed Standards for faulty prepayment meters<sup>10</sup>, given that the consumer impact of self-disconnection is the same as if the meter were faulty. This should be achievable and will make Ofgem's expectations of suppliers clearer and ensure consumers understand their rights.

**Question 3b: Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.**

Yes, as discussed in 3A, we agree with the proposals and the draft licence conditions.

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<sup>9</sup> Citizens Advice, [Supply and Final Demand](#) (2019)

<sup>10</sup> [The Electricity and Gas \(Standards of Performance\) \(Suppliers\) Regulations 2015](#), section 5 - suppliers are required to fix faulty prepayment meters within 3 hours on a working day or 4 hours on any other day from the point of notification, or the start of the next day if this is outside of working hours (8am-8pm on a working day, or 9am-5pm on a non-working day).

We have also suggested clarification above around the phrase ‘timely manner’ for those consumers with suppliers who find it technically infeasible to provide emergency credit.

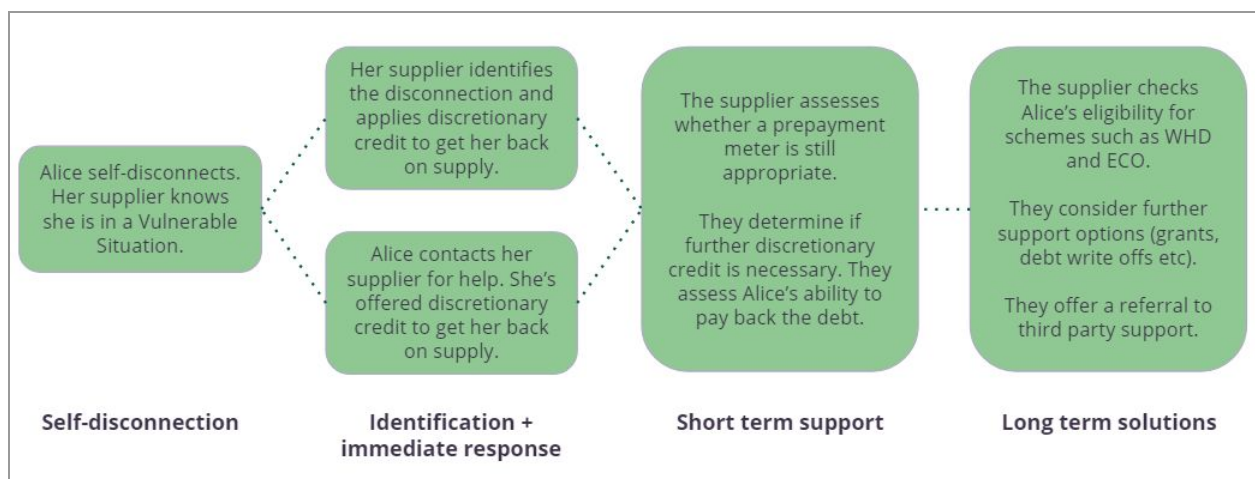
**Question 4a: Do you agree with our proposal to require suppliers to offer discretionary credit for customers in vulnerable circumstances?**

Yes, we agree with this proposal.

We think that each time discretionary credit is requested, it should trigger an assessment of the customer’s ability to pay and consideration of whether a prepayment meter is safe and reasonably practicable. In most cases this will best be carried out after the discretionary credit has been applied and the customer has been reconnected.

Disconnection is an emergency situation for many consumers, and one they will be keen to resolve quickly. Many customers will need to be quickly reconnected so they are able to carry out basic vital functions, like washing and cooking. Some customers may be self-disconnecting during moments of crisis, related to factors like mental health. They may not be well placed to discuss support with their supplier at this point in time.

We would expect suppliers to develop solutions for these situations. For example, if the customer has a smart meter the supplier could potentially add a minimum amount of discretionary credit automatically if the supplier is unable to contact the customer which the customer can activate to restart supply. For customers with traditional meters, an initial amount of discretionary credit could be applied during a short initial contact. In both cases a longer discussion around ability to pay and offers of support may need to take place at a later point, when the consumer is in a better position to be able to discuss these options. A potential customer journey is set out below.



**Fig.1 Potential customer journey for self-disconnection support.**

Suppliers should also consider offering non-refundable credit and debt write offs as an option for support for their customers where appropriate. Suppliers may be able to fund this support to some customers (subject to eligibility criteria) through the Industry Initiatives component of the Warm Home Discount.

Discretionary payments should not be seen as a long-term solution for customers. Similar to with emergency and friendly credit, the formalisation of discretionary credit should incentivise suppliers to carry out these assessments and provide sufficient support to avoid a cycle of providing multiple discretionary payments.

It's important that this support is provided to those who need it. It is therefore even more vital that suppliers have robust processes in place to proactively identify all customers in vulnerable circumstances. The supplier should use cases of self-disconnection to identify vulnerability, even where vulnerability has not previously been identified. For example, if a customer they have not previously identified as vulnerable circumstances is repeatedly disconnecting, disconnects for a long period, or contacts them for support after disconnecting.

We support a market which minimises competitive distortions where appropriate, as set out in the recent BEIS/Ofgem consultation on flexible and responsive energy retail markets. In order to ensure that suppliers share responsibility for supporting customers who might self-disconnect, it is vital that they meet their obligation to offer prepayment as a payment method and do not erect barriers to consumers signing up for these tariffs (for example by making it harder to sign up for these tariffs than others offered by the supplier).

We're concerned that some suppliers are not meeting these obligations currently, despite Ofgem setting a clear expectation that it 'expects suppliers to openly offer a pre-payment payment option to customers as soon as they exceed 50 000 customers' and to plan in advance to meet this requirement.<sup>11</sup> This should be a focus for Ofgem's compliance work as it introduces these new responsibilities on self-disconnection.

**Question 4b: Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.**

Yes, we agree with the associated proposed licence conditions.

**Question 5: Do you agree with our proposal to incorporate the Ability to Pay principles in the supply licence?**

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<sup>11</sup><https://www.ofgem.gov.uk/publications-and-updates/decision-gas-and-electricity-markets-authority-close-its-compliance-engagement-bulb-requirements-standard-licence-condition-27-its-gas-and-electricity-supply-licences>



Yes, we strongly support these proposals and have previously recommended Ofgem take this action.<sup>12</sup> We think it should be a relatively straightforward step to move these into the licence conditions - subject to legal consideration around the wording of the principles and work to ensure they remain up to date (see response to question 6).

As highlighted in our consultation response to Ofgem's draft Consumer Vulnerability Strategy<sup>13</sup>, customers need to be asked to repay debt in a fair and manageable way. We're concerned that Ofgem's Social Obligations Reporting shows large disparities in the amount of debt suppliers are collecting, with small suppliers collecting weekly amounts that are around three times higher than large suppliers. The most recent Ofgem data shows that the average weekly repayment amount in 2017 was £14.58 for smaller suppliers and £5.39 for the six largest suppliers.<sup>14</sup> This suggests that all suppliers may not be consistently following the Ability to Pay principles when setting repayment levels.

Unfair repayment plans can be a factor in self-disconnection. Our research found 44% of those who self-disconnected because they could not afford to top up were also repaying a debt<sup>15</sup>. We think that moving the principles into the licence would make them more prominent for suppliers and enable Ofgem to enforce them.

The case studies below from the Extra Help Unit (EHU) - the Citizens Advice service's team of specialist case workers who help with complex energy problems - reflect these issues (names changed to protect identity)<sup>16</sup>.

*Case study 1:*

*John, who has a chronic health condition, received a letter stating a warrant would be carried out to install a prepayment meter (PPM) within a matter of days. Although the arrears balance was less than £200, when he contacted his supplier they were unwilling to set up a suitable payment plan.*

*(Q1 2019)*

*Case Study 2:*

*Aisha has anxiety, alcohol dependence and related health problems. Her supplier issued a notice of intention to apply for a warrant for a bailiff to recover the debt. This exacerbated Aisha's anxiety when she had just accessed support.*

*(Q1 2019)*

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<sup>12</sup> Citizens Advice, [Supply and Final Demand](#), (2019)

<sup>13</sup> Citizens Advice, [Citizens Advice response to Ofgem's consultation on its draft Consumer Vulnerability Strategy 2025](#), (2019)

<sup>14</sup> Citizens Advice, [Supply and Final Demand](#) (2019)

<sup>15</sup> Citizens Advice, [Switched On](#) (2018)

<sup>16</sup> Citizens Advice, [Supply and Final Demand](#) (2019)

In both cases the EHU negotiated affordable payment plans. John's supplier agreed to charge for his ongoing energy usage only, pending an application to their trust fund to repay the balance, and also offered cheaper tariffs. Aisha's supplier agreed to remove some of the debt charges and offered a goodwill gesture to put the account into credit.

We don't expect the principles being moved to the licence to result in any changes or new costs for suppliers. This action will help to formalise the principles but they should already be something that suppliers are already enforcing and following.

**Question 6: Do you agree with our proposal to update the Ability to Pay principles to reflect changes in supplier debt recovery practices? Are there other changes that we should implement?**

Yes, we support these proposals. Our predecessor body, Consumer Futures, helped to develop these principles and we appreciate changes might need to be made to reflect changes in wider policies for supporting consumers in vulnerable situations. For example changes in third party deductions may affect a customer's income and ability to pay and will need to be taken into consideration when making assessments. Other changes such as the introduction of new protections such as policies like 'breathing space' may also create a need for the principles to be reviewed.

Specifically we think 'all available information' should be taken into account by suppliers when making an assessment. It should be the responsibility of the supplier to find out all the information needed and to be proactive if visits are needed. Warrant visits may still be needed for remote switching, but suppliers should ensure they have all the available information before doing a payment type switch. The supplier should ensure that they have consent from the consumer and that the switch is safe and practicable.

We will give further consideration to other changes to the principles that may be needed, and look forward to responding to further consultations on this proposal.

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