

**ofgem**

Making a positive difference  
**for energy consumers**



**Vulnerable consumers**  
in the energy market: **2018**

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## Foreword

How suppliers support consumers in vulnerable situations is justifiably getting more and more attention. We now have more suppliers driving competition than ever before. But we still see that some consumers are struggling to take advantage of the better deals available to them. Many are still on standard tariffs which can be poor value. We want to make sure the most disengaged and vulnerable consumers are adequately supported to engage in the market.

Earlier this year we extended the prepayment meter price protection to vulnerable consumers who are receiving the Warm Home Discount. Government is currently progressing a Bill through Parliament requiring Ofgem to implement a default tariff cap. We are in the process of developing this cap, so that we can implement it as quickly as possible once the legislation has been passed.

We have also put in place further consumer protection measures in the last year:

- We included a new enforceable vulnerability principle into the domestic Standards of Conduct.
- We introduced new rules to protect domestic consumers who have a prepayment meter fitted under warrant.
- New measures to protect consumers from high shock-bills when suppliers have not accurately billed consumers. These bills can hit the financially vulnerable hardest.

But we will not stop here. As the market is becoming smarter and more digitised, it is important vulnerable consumers are not left behind. The Government also highlighted this as a concern in its Consumer Green Paper on modernising consumer markets.

A smarter more digital market is a great chance for companies to offer new services to their customers. We see a future where suppliers provide the individual customer with the tailored service they need. We want all suppliers to offer this flexible 21<sup>st</sup> century customer service at a fair price. Making sure vulnerable consumers are not left behind will be an important consideration when we update our vulnerability strategy this year.

This report shows how well suppliers have supported their most vulnerable customers in the last year. We play an important role in helping suppliers understand what they are doing well and where they can improve. Alongside supplier data and insights from consumer groups, we also share case studies to enable companies to learn from best practice, including examples from distribution network companies to enable cross-sector learning.

The actions outlined in this report reaffirm our commitment to ensure the market works for all. We want suppliers to embed considering vulnerability into everything they do. While we see improvements in important areas, there are still some areas where suppliers can do better. We expect the Energy UK Commission for Customers in Vulnerable Circumstances to play an important part in this and are calling on industry to engage with and respond to the issues raised in our report.

Where we do not see sufficient improvement, we are ready to take compliance or enforcement action to protect consumers' interests, as we have done in a number of cases in the last year.



**Dermot Nolan, Chief Executive**

## Executive Summary

Energy is an essential service that affects people's comfort and health. Our aim is a retail market that works for all consumers, where competition constrains prices, drives efficiency and delivers the range of services and products that customers need. Key to this is delivering a quality customer service and meeting the specific needs of people in vulnerable circumstances.<sup>1</sup>

Energy companies have a duty to support consumers in vulnerable situations and this report presents our assessment of how the energy market is working for these consumers. Like previous years we've drawn on the latest domestic suppliers' social obligations data, case studies from suppliers and the Citizens Advice Extra Help Unit, and research by consumer groups. We also shared examples of good practice to encourage innovation and individual supplier report cards to allow suppliers to benchmark themselves and improve. We already see innovation happening in the sector and encourage suppliers to look at examples of innovation and explore how these can be scaled.

To encourage sharing best practice across the energy sector, we have built on feedback we received on last year's report and have included a chapter on distribution network companies<sup>2</sup>. Distribution network companies have an important role to play in helping customers in vulnerable situations. The new chapter details the performance of distribution network companies under the relevant RIIO incentive schemes, which encourage distribution network companies to address consumer vulnerability issues.

### **How have energy companies supported vulnerable consumers in 2017?**

Overall, our assessment shows that suppliers have made some progress since our last report to improve outcomes for vulnerable consumers.

In 2017, fewer customers were repaying a debt to their supplier - particularly with lower levels of debt and fewer PPMs were installed for debt. However, the number of those in debt without a repayment plan being in place has increased from 2016.

Last year suppliers disconnected just 14 electricity and three gas customers for debt: this continues a long-term reduction to the lowest number ever. Disconnection is a last resort, and we are very pleased that disconnections are so infrequent.

The total number of consumers on a Priority Services Register (PSR) has increased to the highest level since monitoring began in 2006. We see the same trend for the number of services provided to customers on PSRs, which means more consumers can get the support they need to engage in the market effectively.

After our work with industry to improve the Debt Assignment Protocol (DAP) we see 6% of electricity applicants successfully use DAP to switch supplier.<sup>3 4</sup> This has risen six-fold since 2013 and has increased over the last year. We expect this upward trend to continue as we are not satisfied with such a low success rate.

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<sup>1</sup> Ofgem (2018) [Forward Work Programme](#)

<sup>2</sup> As recommended by Sustainability First through its report [Project Inspire. Energy for All - Innovate for All, 2017](#)

<sup>3</sup> Ofgem (2017) [Debt Assignment Protocol: CMA remedy implementation](#)

<sup>4</sup> The DAP is the industry process used to facilitate the transfer of debt between suppliers when indebted PPM customers switch provider.

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These are positive developments, but we are concerned about the performance of the sector, and in particular small and medium suppliers, in some key areas. In 2017:

- On average, 24% of indebted gas customers are on repayment plans with small and medium suppliers compared to 60% of customers with large suppliers.
- Some smaller and medium suppliers have considerably fewer customers on their PSRs than larger suppliers, leading to concerns that they may not be identifying eligible customers adequately.
- Customers repaying debt via a credit payment method with some small and medium suppliers paid back on average three times more per week towards their debt than those with large suppliers. We are concerned that some suppliers are not assessing thoroughly whether or not customers can afford the repayment rates.
- The average take-on debt when a customer sets up a repayment plan decreased and is now over £600 for gas and electricity.
- A small number of suppliers continued to carry out much higher levels of PPM installations under warrant per 1,000 newly indebted customers and we have seen the total number of warrants used go up in 2017. We are concerned that some suppliers use warrants too quickly and have introduced new rules effective from January 2018 to restrict the use of warrants. We expect to see these rules result in fewer warrants to be used next year.

Suppliers can learn from initiatives that distribution network companies have set up to support consumers in vulnerable situations. Distribution network companies are incentivised through price controls and licence obligations to support consumers in vulnerable situations. Through the RIIO price controls they have undertaken a number of activities such as identifying fuel poor households, innovative communication methods during blackouts or staff training on vulnerability. We think suppliers can learn from some of the initiatives set up by distribution network companies, but we also think distribution network companies can continue to do more, particularly with regards to identifying hard-to-reach stakeholders and demonstrating how they engage with these groups including learning from other sectors.

We expect industry to respond to the findings and insights presented in this report. We have identified a number of areas of concern and we plan to engage with companies to hold them to account to encourage improvement.

# Key Findings



## Inclusive services

Driven by large suppliers, the number of consumers registered on the Priority Services Register continues to increase.



on the registers:



there are now nearly  
**6 MILLION**  
electricity consumers



...and nearly  
**4.8 MILLION**  
gas consumers

That's an increase of  
**36%** for electricity and  
**30%** for gas on 2016.



This shows suppliers are working to identify potential vulnerability, but certain small and medium suppliers could do more.

Not all consumers on the PSR receive additional services such as quarterly meter readings, password schemes or accessible communications. The number of services provided to vulnerable consumers **rose to the highest level** since monitoring began in 2006. In 2017, **844,516** services were provided to electricity consumers and **672,866** services to gas consumers.



## Debt and affordability

The number of prepayment meters newly installed for debt continued to fall in 2017. The total number of consumers in debt has also decreased.

In 2017 there were about 650,000 electricity and 540,000 gas consumers repaying a debt.



This continues a decline since 2013 and the number of consumers in debt is now at the lowest level since we began monitoring in 2006.

However, more consumers are in arrears.

About **600,000** electricity customers and **460,000** gas customers are in arrears with their energy supplier.

We are concerned that small and medium suppliers are not doing enough to engage with customers in arrears.



Currently small and medium suppliers on average have **24%** of their indebted gas customers on a repayment plan, compared to **60%** for larger suppliers. The level of debt when a prepayment plan is set up has decreased to just over **£600**.

# Key Findings continued



## Staying on supply

### Warrants

The number of prepayment meters installed for debt under warrant (per 1,000 customers in debt) had **increased** compared to last year.

The absolute number of prepayment meters installed for debt under warrant has increased to **42,037** for electricity consumers and **42,283** for gas consumers. We are concerned about this increase and expect these numbers to go down following new protections we introduced late last year.



### Disconnections

The number of disconnections for debt fell by **92% from 210 in 2016** to **17 customers in 2017**, continuing a long-term positive trend.



- Disconnections for debt are now extremely rare in Great Britain.
- Number of suppliers who disconnected fell from **five** in 2016 to **four** in 2017.
- For the first time, there were **no disconnections** in Scotland.
- There were **four** disconnections in Wales and **13** in England.



## Distribution network companies



In the last year, the total value of Guaranteed Standards of Performance payments made by DNOs to PSR customers was

**£161,215**

Gas distribution companies have connected over

**52,000**

fuel poor households to the gas grid in the first 4 years of the eight year price control.



## 1. Inclusive services

### Section summary

We want a market that is accessible, inclusive, and responsive to people's needs. People should not be hindered by the circumstances they face – whether their situation is ongoing or temporary, as anyone can find themselves in a vulnerable situation. Industry should design and deliver products and services with vulnerable consumers in mind to avoid creating or exacerbating vulnerable situations. This chapter explores how suppliers are delivering inclusive services.

### 2017 findings at a glance...

- The proportion of consumers on a Gas or Electricity Priority Service Register (PSR) has continued to increase. This has been driven by large and small suppliers.
- The total number of free services provided to consumers on the PSR has increased significantly for electricity and gas consumers, which is great to see. The increase is mainly driven by large suppliers. These are the highest figures since we started monitoring service provision in 2006.

## Understanding the need for inclusive services

1.1. In the future, more and more consumers are likely to be in vulnerable situations for a number of reasons.

- The UK population is getting older. In 2016, 18% of the population was aged 65 and over with 2.4% aged 85 and over<sup>5</sup>. It is projected that 20.5% of the population will be 65 and over by 2026.<sup>6</sup>
- The NAO also found that 18.9% of the population is under 16 and 12.2% of families have at least one dependent child.<sup>7 8 9</sup>
- There are reportedly 11 million people living in the UK with a limiting mental or physical disability.<sup>10</sup> The most commonly reported impairments by disabled people are: mobility (52%), loss of stamina, breathing, fatigue (38%), dexterity issues (27%), and mental health problems (22%).<sup>11</sup>
- It is also estimated that one million people will have dementia in the UK by 2025.<sup>12</sup>

1.2. This shows that a large and growing proportion of the UK population might need additional support from their energy companies. Suppliers need to proactively

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<sup>5</sup> Office of National Statistics (ONS) (2017) [Overview of the UK population: July 2017](#)

<sup>6</sup> *Ibid*

<sup>7</sup> *Ibid*

<sup>8</sup> A family is a married, civil partnered or cohabiting couple with or without children, or a lone parent, with at least one child, who live at the same address. Children may be dependent or non-dependent.

<sup>9</sup> ONS (2017) [Families and Households: 2017](#)

<sup>10</sup> NAO (2017) [Vulnerable Consumers in Regulated Industries – summary](#).

<sup>11</sup> Department of Work and Pensions (DWP) (2017) [Family Resources Survey 2015/2016](#)

<sup>12</sup> Alzheimer's Society & Dementia Statistics Hub - [Prevalence projections in the UK](#)

identify which of their customers might be in a vulnerable situation and offer tailored additional services to help them engage with their supplier.

## What we expect of suppliers

### Identifying vulnerable consumers

- 1.3. Suppliers (and distribution network companies, who we discuss in a later chapter) must have and maintain a Priority Services Register (PSR) and provide eligible consumers with certain free support services.<sup>13</sup>
- 1.4. Suppliers need to promote their PSR, proactively identify customers who might benefit from additional support services, and offer to add these customers to the PSR. This obligation is strengthened by the revised Standards of Conduct (Standard Licence Condition or 'SLC' 0 of both the gas and electricity supply licences) which require suppliers to identify each vulnerable customer in an appropriate way. We encourage suppliers to use the data available to them to identify consumers in vulnerable situations and support them accordingly.
- 1.5. To further help identify consumers who might need extra support, we require suppliers to share customer data with distribution network companies in accordance with data protection rules.<sup>14</sup> The industry has now aligned its PSR needs codes (descriptions of vulnerabilities) for both gas and electricity allowing for consistent data sharing between suppliers and distribution network companies.<sup>15</sup>

### Tailored support and communications

- 1.6. To ensure suppliers can offer tailored and innovative services to their customers, we have described the outcomes we want them to achieve in the licence. For example, suppliers need to offer additional services to help the consumers identify representatives of the suppliers (for example through a password scheme) and communicate with their customers in an accessible way (for example communications in large print).<sup>16</sup> There are similar rules for distribution network companies, but these are tailored to the relationship these companies have with their customers.
- 1.7. Linked to this, we are consulting on changes to the way suppliers communicate with their customers.<sup>17</sup> We propose to move to overarching principles for customer communications and remove many detailed prescriptive rules. We

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<sup>13</sup> SLC 26 of the Supply Licence and SLC 10 of the Distribution Licence

<sup>14</sup> Ofgem (2016) [Decision to modify gas and electricity supply, electricity distribution and gas transporter licences for PSR arrangements](#)

<sup>15</sup> The official list of industry PSR needs codes is available here:

<https://dte.mrasco.com/DataItem.aspx?ItemCounter=1699&searchMockItems=False>

<sup>16</sup> Separately from additional support provided under the PSR, suppliers must also provide free gas safety checks (eg for appliances such as a gas boiler) to eligible homeowners once every 12 months if a customer requests it (SLC 29 of the gas supply licence)

<sup>17</sup> Ofgem (2018) Statutory consultation, [Domestic supplier-customer communications rulebook reforms](#)

want to give suppliers the opportunity to better tailor their communications with their customers, including those in vulnerable situations.

## Key findings: Priority Services Register

### **The proportion of consumers on a PSR continued to increase in 2017 for large and small suppliers.**

- 1.8. In 2017, the amount of consumers on suppliers' PSRs has continued to increase. There are now 5,964,727 electricity consumers and 4,767,724 gas consumers on a PSR. This represents a 36% increase for electricity and 30% for gas, although, it is important to note that not all customers receive PSR services. It's encouraging to see that suppliers are getting better at identifying vulnerability and registering these customers on the PSR.
- 1.9. We expect the number of customers on the PSR to fluctuate in recognition of the fact that consumer vulnerability is complex, can have many factors and can be transient.<sup>18</sup> Since our last report, medium-sized suppliers have seen a slight drop in the proportion of gas customers on their PSR. This was largely driven by Utilita undertaking a data validation exercise where approximately 40,000 customers were removed from its PSR because they had invalid needs codes that did not align with the industry agreed codes, or no longer wanted or needed to be on the PSR. We welcome this engagement with customers and expect Priority Services Registers to be up to date with accurate details.
- 1.10. However, following data analysis it appears that another medium supplier, First Utility, is not working hard enough to identify vulnerable consumers and has agreed to review why this is the case. Its numbers are low relative to its size and we think that a supplier of its size should be better at identifying PSR-eligible customers and learn from examples set by other suppliers, eg the largest suppliers.
- 1.11. We welcome the fact that since 2015, small suppliers have continued to increase their proportion of customers on their PSRs. However, they are still behind large suppliers who continue to have a higher proportion of customers on their PSRs than small and medium suppliers (see figure 1.1). We expect some of the PSR numbers to go up following the work the industry has done to develop a uniform set of PSR 'needs codes' to ensure consistent data sharing between suppliers, electricity distribution and gas distribution network operators.<sup>19</sup> The industry modified relevant codes for electricity in June 2017 and for gas in January 2018.
- 1.12. We are concerned, from some of the discussions we've had with suppliers, that some still seem to have a perception that vulnerability is mainly defined by age. For example, some small and medium suppliers feel that they do not have many PSR eligible customers due to the demographics of their customer base,

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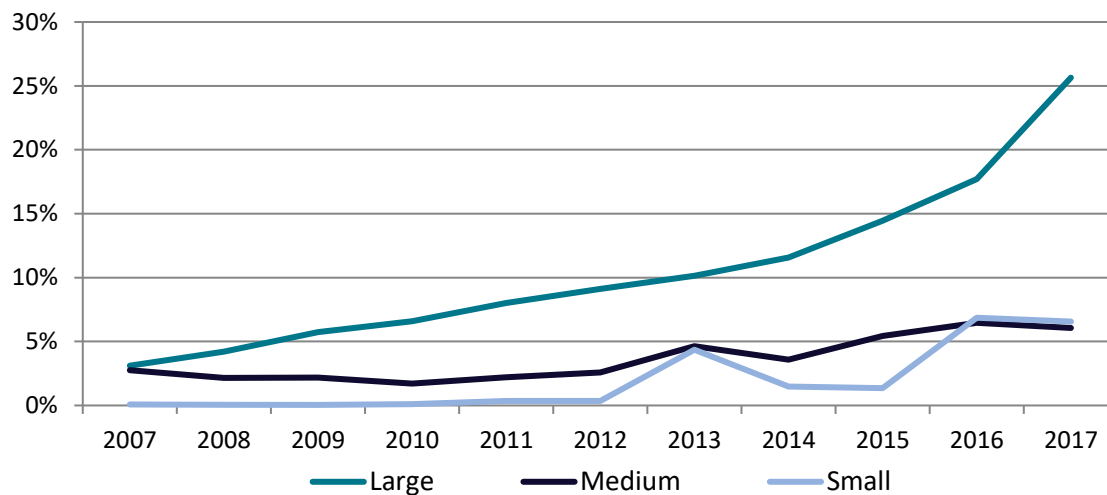
<sup>18</sup> Ofgem (2013) [Consumer Vulnerability Strategy](#)

<sup>19</sup> [Safeguarding Customers Working Group \(SCWG\)](#)

in that they don't have a large proportion of customers who are of pensionable age or that they have more affluent customers.

- 1.13. Being of pensionable age can of course be an indicator that someone may be eligible for the PSR, but it is not the only reason why a consumer might be vulnerable. There could be many other reasons including living with young children or a disability, struggling financially or temporarily being less able due to an accident. We encourage suppliers to look beyond age and actively engage with their customers as appropriate on potential vulnerability. Suppliers could achieve this by training their representatives and having sound quality assurance mechanisms to ensure the training programme has been successful. They could also signpost to support services when necessary and build relationships with charities.

**Figure 1.1: Proportion of electricity customers on a PSR (trend is similar for PSR gas customers) – by supplier type**



**There is variation in PSR number by nation, with Scotland having the lowest proportion of consumers on the PSR**

- 1.14. The proportion of consumers on PSRs remains substantially lower in Scotland than in other nations although this did increase in 2017. The proportion of electricity consumers on PSRs is the same for England and Wales, however Wales has substantially more gas consumers on the PSR.

**Identifying vulnerable consumers**

- 1.15. With consumers potentially vulnerable in a wide range of ways, suppliers need to be innovative in how they identify these consumers to make sure their experience is positive. A big part of this is making sure suppliers capitalise on every opportunity to engage with their potentially vulnerable customers, either directly or with partners.
- 1.16. Good practice and innovation does not always need significant expense or resource. To embed consideration of vulnerability within an organisation, commitment from senior management to drive the culture of change is

essential. It is also crucial to empower staff to identify and support vulnerable consumers.

- 1.17. Citizens Advice highlighted, in its research *Beyond Good Practice Guides: Improving Support with Essential Services for People with Mental Health Problems 2018*, that suppliers need to improve signposting for their support services.<sup>20</sup> The research identified that supplier communications were not effective enough. For example, long letters with lots of information may be difficult for some people to understand. Or suppliers rely too much on the consumer being proactive in seeking advice and support services. Citizens Advice highlighted the need for external support services and suppliers to work together.
- 1.18. The Money Advice Trust (MAT) has published a guide to help companies identify potential vulnerabilities related to poor mental health through their interactions with their consumers. It also provides guidance to frontline staff in interacting with vulnerable consumers with poor mental health through the use of easy-to-remember mnemonics and illustrates how a particular mental health condition impacts on the consumer.<sup>21</sup> As most energy suppliers will have customers with mental health issues, they have an important role to play to identify and support them. MAT also recommends that suppliers have a good process for signposting consumers to external services, once relevant internal support has been given.
- 1.19. We are pleased that some suppliers have established extra care teams who specialise in customers with vulnerabilities. These teams provide additional support to vulnerable customers and been specifically trained to recognise vulnerable situations. Some suppliers have also trained their engineers and field agents to recognise vulnerability. As these representatives will visit customers' homes, they are able to report vulnerabilities which may have not been identified in previous correspondence. When these representatives visit a customer's home, suppliers are required to take all reasonable steps to ensure that they:
- Possess the necessary skills to perform the required function,
  - are a fit and proper person to visit and enter the customer's premises,
  - and are able to inform the customer, on request, of a contact point for any help and advice that the customer may require in relation to the customer's supply.
- 1.20. Making better use of new and existing data and recording it accurately can further help identify vulnerability. Suppliers have a range of data internally that can help identify customers who may benefit from certain services.
- 1.21. Additionally, the smart meter rollout is a unique opportunity for suppliers to visit every home in the country and get insight into vulnerability on a national scale. The Smart Metering Installation Code of Practice (SMICoP) requires installers to be trained on vulnerability and to be able to identify potential cases

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<sup>20</sup> Citizens Advice (2018) [Beyond Good Practice Guides: Improving Support With Essential Services for People with Mental Health Problems](#)

<sup>21</sup> Money Advice Trust (2017) [Vulnerability, mental health, and the energy sector: a guide to help identify and support consumers](#)

of vulnerability.<sup>22</sup> This could lead to more customers registering for the PSR and receiving relevant services.

- 1.22. We are also continuing our participation in the UK Regulators Network (UKRN) project, which looks at ways companies in regulated sectors can make better use of all the available data to better identify consumers who are in vulnerable situations and ensure they receive a positive consumer experience. The sharing of non-financial vulnerability data will help limit the need for consumers to have the same, potentially stressful, conversation regarding their vulnerable circumstance on repeated occasions.
- 1.23. In 2017 the UKRN published the report '*Making better use of data: identifying customers in vulnerable situations*'.<sup>23</sup> This focused on cross-sector sharing of non-financial vulnerability data between the energy and water industries. As energy and water companies have already collaborated to signpost one another's support services for customers, the report recommended future effective data sharing across the two sectors. Two of the companies (United Utilities and Electricity North-West) launched a pilot vulnerability data-sharing programme in their region using live customer data in January 2018.
- 1.24. In April 2018, UKRN issued an information request to water and energy companies to explore how they are further developing data sharing as highlighted in the 2017 report. Including how they collate and use data to better understand and respond to the needs of consumers. UKRN have committed to publish a follow-up report in Autumn 2018, which will provide an update on the progress made across the two industries.

## Key findings: Accessible Services

### **The total number of PSR services that suppliers provided to customers increased in 2017**

- 1.25. Following our decision to change the PSR rules, it is encouraging to see more consumers receiving additional services to improve safety, access and communication. This is an area we said we expected to see an increase in in our 2017 report and we are pleased that this is happening.<sup>24</sup> Access to these services is essential to enable vulnerable consumers to effectively engage with their energy supplier.
- 1.26. The number of free services provided to consumers on the PSR has been on the increase since 2011. This year, following the changes we made, the total number of services provided has risen to 844,516 services for electricity consumers and 672,866 services for gas consumers. We are aware there will be cases where a customer is receiving more than one additional service to support their needs, but we welcome this increase. It is the highest number of additional services provided since we started recording this in 2006.

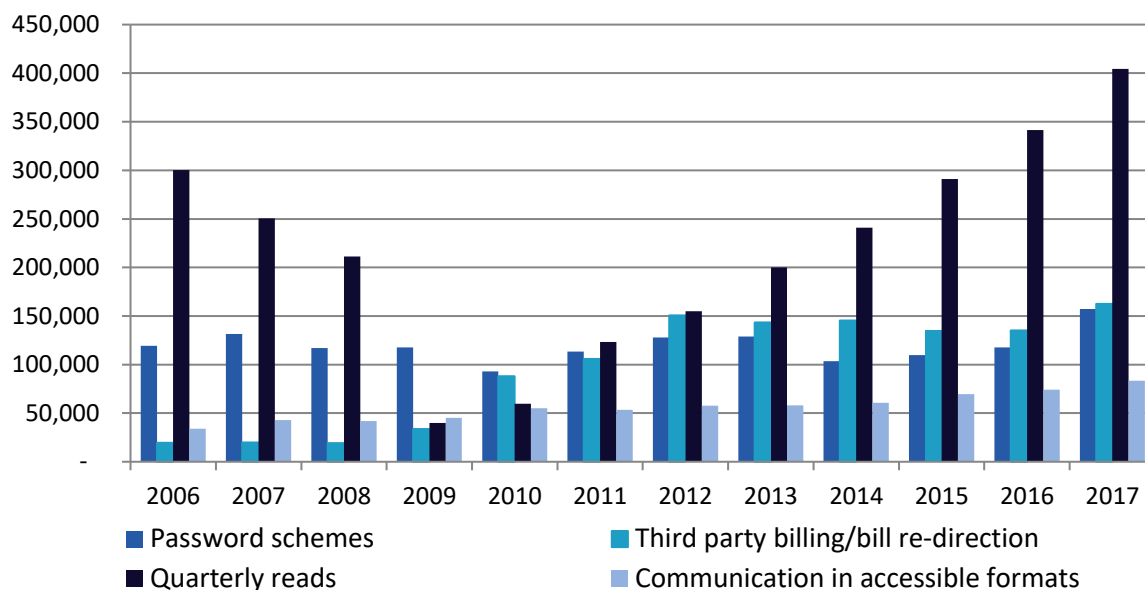
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<sup>22</sup> [Smart Meter Installation Code of Practice \(2013\)](#)

<sup>23</sup> UKRN (2017) [Making better use of data: identifying customers in vulnerable situations](#)

<sup>24</sup> Ofgem (2017) [Vulnerable consumers in the retail energy market: 2017](#)

**Figure 1.2: The number of PSR services provided to electricity customers on PSRs (number of services provided to gas customers on PSRs is slightly lower)**



- 1.27. We want all consumers, including those with special communications needs and without internet access, to be able to engage with the energy market and effectively communicate with companies. We require suppliers to provide communications in accessible formats like large print; and we have also set out the principles we expect suppliers to follow when offering telephone services.<sup>25</sup>
- 1.28. Data on service provision shows that the most commonly provided services are quarterly meter reads followed by third party billing/bill redirection. Since our last report, there has been a considerable increase in the number of customers participating in schemes that help customers identify a supplier representative (such a password or picture card). These schemes are a useful service where suppliers must offer to agree a way for the customer (or the customer’s representative) to identify a supplier’s representative. Communication in accessible forms, such as large print/braille or talking bills, continue to be provided less often but are available for customers who require this (see Figure 1.2).
- 1.29. To comply with the Equality Act 2010, suppliers must ensure that all new services and products are accessible and follow the UK Government’s current guidance on meeting the accessibility requirements for digital and non-digital services.<sup>26</sup> Making accessibility a core element at the design stage ensures that no consumers are unnecessarily excluded and allows changes to be made earlier, normally at a reduced cost to the company, if the service is not accessible to all consumers. The Money and Mental Health Policy Institute recommends that services are ‘Universally Designed’.<sup>27</sup> This means that, rather

<sup>25</sup> Ofgem (2015) Telephone services – our expectations of suppliers operating in the domestic energy market

<sup>26</sup> For more information see: <https://www.gov.uk/service-manual/helping-people-to-use-your-service/making-your-service-accessible-an-introduction>

<sup>27</sup> Money and Mental Health Policy Institute (2017) Levelling the Playing Field

than designing services for the typical consumer and then consider how it could be adapted for those with extra needs, services should be designed from the start to meet the needs of the most disadvantaged user.

- 1.30. Digital inclusion is also particularly important as it is estimated that 22% of disabled adults have never used the internet, compared to 5% of non-disabled adults.<sup>28</sup> Scope have found that 55% of disabled people who do use the internet often find web pages to be inaccessible.<sup>29</sup> Furthermore, over half of the 4.8 million adults in the UK who have never used the internet were aged 75 and over.<sup>30</sup>
- 1.31. With the ongoing smart meter rollout, suppliers will need to make sure that the in-home displays (IHD) are accessible to a wide range of people, including those with visual, learning, dexterity and memory impairments. Suppliers need to have plans in place to identify which customers require them as they progress with their rollouts, but also for retrospective provision to those customers that have already had installations before these devices were available. We see the accessible IHD as an important area of focus and consider it important that it is available on a timescale that allows suppliers to provide a good experience for blind and partially sighted individuals within the 2020 rollout period. Specifically to support consumers with sight loss, Energy UK has been leading the work to develop a fully accessible IHD with the Royal National Institute of Blind People (RNIB) and Geo. An update on their work is expected later in 2018.<sup>31 32</sup>
- 1.32. Suppliers should make reasonable adjustments for disabled consumers to comply with the Equality Act 2010. In addition, the Standards of Conduct require suppliers to treat all domestic energy customers in a fair, honest, transparent and professional manner.
- 1.33. The British Standard for Inclusive Service Provision can be used as a benchmark for organisations in developing fair and flexible access to services. In February 2018, SSE achieved Standard 18477 for Inclusive Services Provision - Requirements for identifying and responding to consumer vulnerability within its complaints, credit management and sales functions.<sup>33 34</sup> This sets out procedures to ensure inclusive services are accessible to all consumers equally, regardless of their circumstances. This was after British Gas achieved the same standard in May 2017.<sup>35</sup>
- 1.34. This year, we have seen the Alzheimer’s Society publish its Dementia Friendly Utility Guide<sup>36</sup>. We are pleased that some suppliers and distribution network companies have contributed to the development of this guide from the Alzheimer’s Society. This guide is a useful resource for organisations to become dementia-friendly and the benefits this provides. As previously indicated, it’s

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<sup>28</sup> ONS (2017) [Internet users in the UK 2017 s/2017](#)

<sup>29</sup> Scope (2018) [Out in the Cold](#)

<sup>30</sup> ONS (2017) [Internet users in the UK 2017](#)

<sup>31</sup> Energy UK (2015), [Making Smart Meters accessible for all](#)

<sup>32</sup> Geo, [Partnership between Energy UK, geo and RNIB delivers Accessible In-Home Smart Meter Displays to blind and partially sighted people](#)

<sup>33</sup> SSE (2018) - [SSE achieves gold standard in flexible, inclusive customer service](#)

<sup>34</sup> British Standard Institute (2010) [British Standard 18477:2010](#)

<sup>35</sup> British Gas (2017) – [British Gas sets new standard for helping vulnerable customers](#)

<sup>36</sup> Alzheimer’s Society (2018) [Dementia Friendly Utility Guide](#)



estimated that 1 million people will have dementia in the UK by 2025.<sup>37</sup> It is therefore important for companies to start planning for more of their customers to be living with dementia and ensure they can still continue to access services and not suffer detriment.

### **E.ON– Braille ID Cards**

To increase inclusion for its Field ID verification process, in December 2017 E.ON purchased transparent stickers embossed with braille wording.

E.ON was aware of approximately 350 customers who had elected to receive their bills in braille and this initiative will benefit these customers who can read the braille alphabet. Should they receive a call at their property they were not expecting (eg meter read request) they will have peace of mind that the caller is a genuine E.ON representative.

One customer had noticed the braille sticker on a Field agents' ID card and was appreciative of the decision, as their mother was blind and was happy to see braille was being used without being specifically requested.

Through this process E.ON has recognised the importance of meeting its customer's individual needs, no matter how small the population of the vulnerability group is.

### **Working in partnership to provide additional support**

- 1.35. We are seeing suppliers working closely in partnership with specialist organisations who support certain vulnerable groups. These organisations can offer insight to help suppliers approach their engagement in the most appropriate way. In some instances, we have seen suppliers refer customers to these partners, where the customers are then able to find a solution by working together with an organisation. It's positive to see more and more suppliers use external expertise to support their vulnerable customers. We encourage suppliers to assess which organisations would best be able to support their customers.
- 1.36. The Alzheimer's Society has been working with some suppliers and distribution networks to roll out its Dementia Friends programme.<sup>38</sup> Dementia Friends offers training to staff with the aim of creating a Dementia-friendly business where staff can better serve customers with Dementia. By becoming a Dementia Friend within their workplace, employees are supporting their customers and colleagues affected by dementia, helping people to feel understood and supported and improving the customer experience.

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<sup>37</sup> Alzheimer's Society & Dementia Statistics Hub - [Prevalence projections in the UK](#)

<sup>38</sup> More information on how distribution network companies support vulnerable consumers can be found in chapter 4.

**Working with CLIC Sargent**

During 2017 both British Gas and ScottishPower launched initiatives with CLIC Sargent in Manchester and Glasgow respectively. These initiatives support families, who have a young person diagnosed with cancer, with their energy bills.

CLIC Sargent estimates that families are circa £600 per month worse off following a cancer diagnosis and energy costs are a disproportionate part of their expenditure. When a child receives a cancer diagnosis, both they and their family are immediately referred to the onsite CLIC Sargent social worker.

The social worker will carry out a support review and identify if energy costs are currently a concern for the family or if they are likely to become one during the course of the child’s treatment. If energy costs are identified as a current or anticipated concern and the family are supplied by ScottishPower or British Gas, a referral will take place.

The referral process ensures that the suppliers know up-front about the situation the family are facing and specially trained advisors will support them as sensitively as possible and design the account review process at a pace that suits them. Every aspect of the family’s energy needs will be reviewed.

British Gas estimates that 20 families have used this referral service and ScottishPower have supported a few families.

Both suppliers will be continuing these initiative into 2018 with ScottishPower rolling this out across Scotland.

## 2. Affordability and debt

### Section summary

Customers in debt or struggling to pay their energy bills are a key focus for us. We require suppliers to offer certain services for customers who are in payment difficulties, and to take all reasonable steps to ascertain the customer's ability to pay. Many indebted customers have difficulties in other areas, such as mental and physical ill health. It is vital that suppliers' actions do not exacerbate existing vulnerable situations or create new ones. This chapter shows how suppliers are meeting their obligations to help customers in financial difficulty.

### 2017 findings at a glance...

- Overall, the number of customers repaying a debt continues to decrease, but there has been an increase in the amount of customers in arrears without a repayment plan being set up.
- Average take-on debt has decreased.
- Small suppliers continue to set the highest repayment rates in majority of cases, but some are reviewing their repayment rates. Large suppliers set the lowest repayment rates. Medium suppliers continue to set low repayment rates.
- The number of customers repaying a debt via credit and prepayment meter has slightly decreased for both gas and electricity.
- There has been a significant increase in consumers using the Debt Assignment Protocol to switch electricity and a very slight increase for gas.

## Understanding affordability and debt

- 2.1. People fall into debt for a variety of reasons. It could be because someone develops a medical condition, has an accident, or finds themselves in an unexpected period of unemployment. For some, debt may have always been a part of their lives and coming out of debt can be a long journey. Debt is a very complex issue, and appropriate debt management is crucial to ensure that someone is able to get back on top of their finances, and equally that the cost of bad debt does not increase bills for all consumers. The NAO has estimated that in 2017, 8 million UK adults were in debt and 13 million UK adults were living in poverty.<sup>39</sup>
- 2.2. Figure 2.1 illustrates the pathways that a customer in financial difficulty may typically follow. It shows that for the pathways to work effectively, debt management requires suppliers and customers to engage with each other.

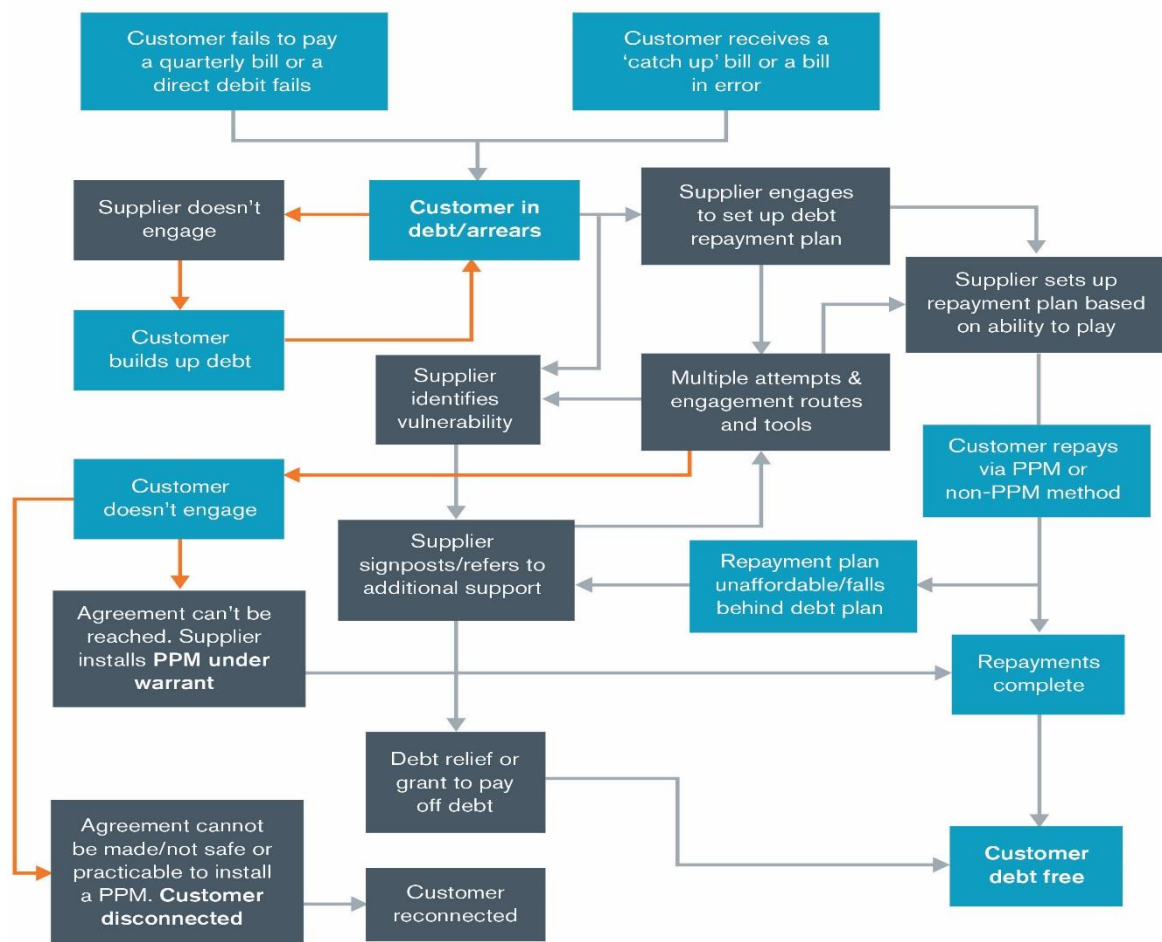
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<sup>39</sup> National Audit Office (NAO) report (2017) [Vulnerable Consumers in Regulated Industries](#)

When someone is in debt, it can be very difficult for them to engage and face the situation they are in.

- 2.3. Fuel poverty is one vulnerable situation that energy consumers may face. The definition of fuel poverty varies across GB. In England, a household is fuel poor if: it has higher than typical energy costs, and if it would be left with a disposable income below the poverty line if it spent the required money to meet those costs.<sup>40</sup> An estimated 2.5 million English households are in fuel poverty (11%).<sup>41</sup> The definition for Scotland and Wales is: a household is in fuel poverty if, in order to maintain a satisfactory heating regime, it would need to spend more than 10 per cent of its income on fuel.<sup>42</sup> 23% of Welsh households (291,000) and 26.5% of Scottish households (649,000) are in fuel poverty.<sup>43 44</sup>

**Figure 2.1: Example of multiple customer debt pathways**



<sup>40</sup> BEIS (2017) Annual Fuel Poverty Statistics Report (2015 data) disposable income of less than 60% of the national median.

<sup>41</sup> *Ibid*

<sup>42</sup> The Scottish Government appointed an independent panel to review the fuel poverty definition. The Panel published their report 'A New Definition of Fuel Poverty in Scotland – A review of recent evidence' in November 2017. In the report the panel makes recommendations to improve the existing fuel poverty definition. The Scottish Government consulted on the definition earlier this year.

<sup>43</sup> Welsh Government (2016) The production of estimated levels of fuel poverty in Wales

<sup>44</sup> Scottish Government (published 2017) Scottish House Condition Survey: 2016 key findings

- 2.4. On average, people with physical disabilities face extra costs of £570 a month related to their condition.<sup>45</sup> According to Scope's recent report *Disability Price Tag*, there are 939,000 fuel poor households in England with a disabled person, the equivalent of 38% of all fuel poor households.<sup>46</sup> As such, these approximate extra costs, which can sometimes reach over £1000 a month, mean that personal finances may not stretch as far as they do for someone without the burden of similar health-related payments. A consumer may need to prioritise these costs over keeping warm during winter. These are hard decisions to make and even harder to make alone.
- 2.5. There are a number of government schemes that provide financial support to certain groups of vulnerable consumers. Some vulnerable groups receive Cold Weather Payments during long periods of cold weather: there have been an estimated 4.7 million Cold Weather Payments made in Great Britain between 1 November 2017 and 31 March 2018 with an estimated value of £118.7 million.<sup>47</sup> The number of payments can fluctuate largely from year to year. For example, the current figures are due to particularly cold weather early in 2018, which led to payments across the country even in densely populated areas in the South East, which often go through the whole winter without a payment. An estimated 2 million of these payments, worth £50.7 million, have been paid to individuals in receipt of Pension Credit.<sup>48 49</sup> In comparison, last year 131,000 customers received £3.3 million of payments to cover the winter of 2016/17.<sup>50</sup>
- 2.6. Another resource to help with fuel bills during the colder months is Winter Fuel Payments.<sup>51</sup> Between 2016 and 2017, 12.03 million people received these payments of £100-£300 based on eligibility criteria.<sup>52 53</sup> The Government has a particular focus on addressing fuel poverty.
- 2.7. The Warm Home Discount (WHD)<sup>54</sup> is a government scheme aimed at tackling fuel poverty in Great Britain.<sup>55</sup> Under the scheme, larger energy suppliers support people who are in fuel poverty or are at risk of it. Those who receive relevant benefits could get £140 off their electricity bill. Some smaller suppliers (Our Power and Bristol Energy) also voluntarily participate in part of the scheme.<sup>56</sup> This scheme currently provides over £323 million of support to

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<sup>45</sup> Scope (2018) [Disability Price Tag](#)

<sup>46</sup> *Ibid*

<sup>47</sup> Department for Work and Pensions (2018) [Cold Weather Payment Statistics: 1 November 2017 – 31 March 2018](#)

<sup>48</sup> Department for Work and Pensions (2018): [Cold Weather Payment Statistics: 1 November 2017 - 31 March 2018](#)

<sup>49</sup> If you are in receipt of some benefits <https://www.gov.uk/cold-weather-payment/eligibility>

<sup>50</sup> Department for Work and Pensions (2017) [Cold Weather Payment Statistics: 1 November 2016 – 31 March 2017](#)

<sup>51</sup> Customers who were born on or before 5 August 1953, those who receive State Pension and some other social security benefits may be eligible. [Full criteria available here.](#)

<sup>52</sup> Department for Work and Pensions (2017) [Winter Fuel Payment Statistics: Winter 2016-2017](#)

<sup>53</sup> Department for Work and Pensions (2018) [Eligibility for Winter Fuel Payments](#)

<sup>54</sup> Further details about the [Warm Home Discount Scheme](#)

<sup>55</sup> The Department for Business, Energy and Industrial Strategy (BEIS) is responsible for WHD policy and legislation. The Government administers the 'Core Group' and Ofgem administer the 'Broader Group' and 'Industry Initiatives'.

<sup>56</sup> Ofgem (2018) [Warm Home Discount Annual Report 2016-17](#)

vulnerable consumers including the £140 rebates to nearly 2.2 million consumers.<sup>57</sup>

- 2.8. Despite the support available to certain groups in vulnerable situations, the energy retail market continues to work less effectively for consumers who remain on their supplier's default deal. The Energy Market Investigation by the Competition and Markets Authority has shown that there is a lack of competition in the retail energy market which is leading to a two-tier market.<sup>58</sup> This means consumers who do not engage receive a poor deal.<sup>59</sup> We are particularly concerned about vulnerable consumers, who are more likely to be on a default deal, and due to their individual circumstances can often feel the negative effects more acutely. Please refer to Chapter 1 on Inclusive Services for further details.
- 2.9. Earlier this year we extended the prepayment meter price protection, which currently covers around 4 million consumers, to a wider group. In our decision document, we set out that the safeguard tariff would protect a further 1 million vulnerable consumers who are receiving the Warm Home Discount.<sup>60</sup> Government is currently progressing a Bill through Parliament requiring Ofgem to implement a default tariff price cap. We are in the process of developing this cap, so that we can implement it as quickly as possible once the legislation has been passed.<sup>61</sup>
- 2.10. In its 2018 report *Levelling the Playing Field*, the Money and Mental Health Policy Institute has reported that many vulnerable consumers find it difficult to communicate with suppliers, manage energy accounts and know where to find help when things go wrong. It also reports that just over 70% of consumers have been surprised at the cost of their energy bill and that half the people in arrears are also experiencing mental health problems.<sup>62</sup> Being in debt is stressful and can exacerbate someone's illness. This is confirmed by evidence we collected before introducing new protections for consumers against catch-up bills, and supporting case studies provided by the Extra Help Unit.<sup>63</sup> It follows that those who are most likely to find themselves paying more for an energy deal are usually those who are least able to engage, and although this is common for those with mental health issues it also includes people with previous financial difficulties, and those who are experiencing digital exclusion.
- 2.11. We recognise suppliers have been working to improve the way they communicate on debt matters.<sup>64</sup> However, we also expect suppliers to respond proactively to the findings from these reports and assess whether or not they can improve the effectiveness of their communications for consumers in vulnerable situations.

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<sup>57</sup> Ofgem (2018) [Warm Home Discount Annual Report 2016-17](#)

<sup>58</sup> Competition and Markets Authority (2016) [Energy Market Investigation final report](#)

<sup>59</sup> Ofgem (2017) [State of the Energy Market, 2017 Report](#)

<sup>60</sup> Ofgem (2017) [Decision to extend the PPM safeguard tariff to those consumers in receipt of Warm Home Discount](#)

<sup>61</sup> Further information about the [Ofgem price cap development](#) can be found here.

<sup>62</sup> Money and Mental Health Policy Institute (2018) [Levelling the Playing Field](#)

<sup>63</sup> Ofgem (2017) [Protecting consumers who receive backbills statutory consultation](#)

<sup>64</sup> Ofgem (2014) [Letter regarding using alternative branding to communicate with customers who are in debt](#)

## What we expect of suppliers

### Proactive engagement and offering a range of payment options

2.12. Suppliers are required to offer domestic customers a range of payment options when they become aware, or have reason to believe, that a customer is struggling, or will struggle, to pay their electricity and/or gas bills. These payment options are:

- Payment by regular instalments through means other than a PPM (for example, direct debit);
- Payment by direct deductions from social security benefits received by the customer (sometimes known as Fuel Direct); and
- Payment through a PPM, where it is safe and reasonably practical in all circumstances.

2.13. A failed direct debit or an unpaid energy bill could be a sign that a customer is struggling financially. We expect suppliers to monitor these signs and proactively engage with their customers to find the best way to repay the debt. We expect suppliers to explore all appropriate options and only install PPMs as a last resort.

### Agreeing repayment plans based on ability to pay

2.14. When agreeing the duration and value of a repayment plan, whether through direct debit or PPM, suppliers must take into account each individual customer's ability to pay (SLC 27.8). We expect suppliers to adhere to the 'ability to pay' principles we introduced in 2010 by applying the following:<sup>65</sup>

- Having appropriate credit management policies and guidelines;
- Making proactive contact with customers to identify whether they are having payment difficulty;
- Understanding individual customers' ability to pay;
- Setting repayment rates based on ability to pay;
- Ensuring the customer understands the arrangement; and
- Monitoring arrangements after they have been set up.

2.15. Setting debt repayment rates too high can leave customers struggling to repay their debts. This can result in self-rationing, or for customers repaying a debt via PPM, self-disconnection. Please refer to Chapter 3, 'Staying on Supply' for further details.

2.16. Where suppliers use debt collection agencies, we expect the agencies to demonstrate the same high standards that we expect from suppliers when dealing with customers. We hold suppliers accountable for the action of any third parties they work with (SLC 13) and we will take action against the supplier if necessary.<sup>66</sup> We are aware of cases where this relationship has

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<sup>65</sup> Ofgem (2010) [Review of suppliers' approaches to debt management and prevention](#)

<sup>66</sup> Suppliers must also ensure that their representatives adhere to the Standards of Conduct (SLC 0.2).

broken down in the past. Suppliers should provide clear guidance on their policies and monitor agencies' practices regularly.

### **Preventing debt build up**

- 2.17. Suppliers need to focus on preventing debt as much as they do on managing and recovering debt. Providing accurate, clear and regular bills and making early contact with customers can prevent customers accumulating debt. Suppliers have an obligation at this stage to provide energy efficiency information (see section on energy efficiency in this chapter for further details) to customers in financial difficulties (SLC 27.6(b)).

### **Supporting customers who are in financial difficulty**

- 2.18. Many suppliers work with third parties such as StepChange, Christians Against Poverty, Money Advice Trust, local Citizens Advice offices and grassroots charities to provide direct, impartial financial advice and support. Often, the support provided goes beyond money advice.
- 2.19. Suppliers should clearly signpost available support services and information on debt relief, beyond their own direct contact literature or website. From our review of supplier performance in this area, we see that there are examples of good practice. For example, ScottishPower's advisors who signposted customers in debt to the National Debt Helpline.
- 2.20. Other ways of signposting vulnerable consumers would be to proactively communicate support service information in collaboration with safeguarding organisations, local authorities, GP practices, local mental health services, outreach services, and job centres. Signposting at locations or services typically accessed by vulnerable, or potentially vulnerable people is more likely to reach those in need. For example, the NEA, in collaboration with the Joseph Rowntree Foundation, Eaga Charitable Trust and Citizens Advice have funded the development of a fuel poverty assessment tool to help front-line domestic fuel efficiency assessors and fuel poverty programme workers to calculate whether a resident is living in fuel poverty (for more information on third party partnership working see Chapter 1 on Inclusive Services).<sup>67</sup>

#### **SSEN energy efficiency funding**

Scottish and Southern Electricity Networks (SSEN) energy efficiency gap funding pays for energy efficiency measures to be installed in fuel poor households, that other schemes do not fund, eg the preparation work required to install loft insulation. This service is independent of who the household supplier is. The scheme is currently operational in Scotland and is being developed for Southern England. Between June 2016 and January 2018 49 measures had been installed for 34 customers, saving them each an average of £607 per year in fuel bills. It is particularly helpful for consumers who are elderly, or those with mental or physical disabilities. The burden on the consumer is minimal as all the administration is carried out by a third party.<sup>68</sup>

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<sup>67</sup> For more information please visit the [NEA website](#)

<sup>68</sup> *Ibid*



### **The Bristol Energy Hub**

Bristol Energy's Energy Hub is a permanent physical customer service point where customers get support to manage their energy and ask questions about switching, energy efficiency advice and bills. The Hub reached over 10,000 people in its first year. Any supplier could offer this service with potential to provide mobile hubs for rural and remote areas.<sup>69</sup>

### **We are reviewing how well suppliers are treating customers in (potential) payment difficulty**

- 2.21. As part of our ongoing compliance work we have, over the past year, taken a detailed look at how a number of suppliers treat customers in actual or potential payment difficulty, and assessing whether those suppliers have been delivering good outcomes for those consumers.
- 2.22. We examined not only whether these suppliers have been complying with the supply licence, but also whether and to what extent they have followed guidance we have published that relates to those licence conditions (for example, whether suppliers abide by the Ability to Pay Principles and the additional guidance we have provided on whether it is safe or reasonably practicable to install a PPM). As part of the work, we - and subsequently independent auditors - reviewed certain suppliers' policies, procedures and their actual communications with customers in a representative sample of cases where the customer was in payment difficulty.
- 2.23. In general, suppliers' policies were reasonable but were not necessarily applied consistently in every case. In particular, there were occasional weaknesses in assessing customer circumstances and this created a risk of poor outcomes for those consumers. We have been considering the auditors' recommendations and are in discussions with several suppliers who have been and are implementing measures to reduce any potential risk and improve their capacity to deliver good outcomes for all their customers in payment difficulty. We expect to publish the lessons learned from this exercise in a separate document.
- 2.24. With overall findings suggesting an inappropriate attitude to risk, we are closely following the plans suppliers are putting in place to minimise risk, improve consumer outcomes, and ensure consumers are treated fairly. Following our review, we opened an enforcement investigation against Utility Warehouse.<sup>70</sup>

## **Key findings: Building up debt**

### **There are more customers in arrears, but fewer repaying a debt**

- 2.25. The number of customers repaying a debt to their electricity and/or gas supplier has been decreasing since 2013.<sup>71</sup> It is now at the lowest point since we started

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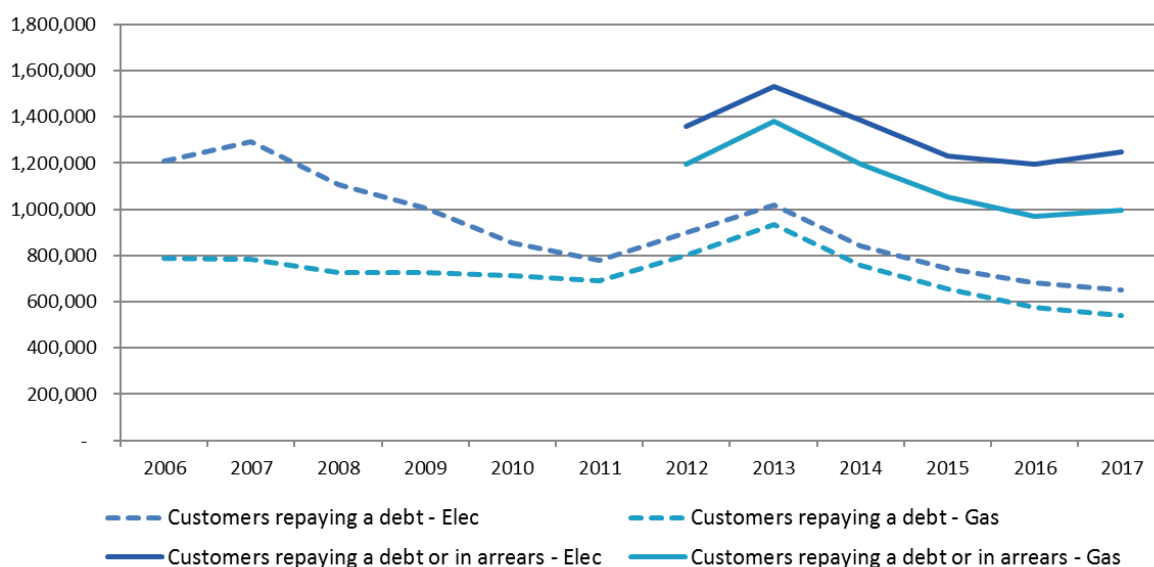
<sup>69</sup> Sustainability First (2018) [Project Inspire Energy for all, Innovate for all](#)

<sup>70</sup> [Ofgem investigates how Utility Warehouse manages customers in debt](#)

<sup>71</sup> A debt repayment arrangement is a specific formal arrangement between a supplier and a customer to repay outstanding arrears (refers only to debt repayment arrangements extending beyond 91 days or 13 weeks).

collecting data (652,136 for electricity; 538,965 for gas).<sup>72</sup> (Figure 2.2 below). However, the data now shows that the number of people in arrears has started to increase.<sup>73</sup> This would imply that customers falling behind on their bills are not being engaged effectively, or that there might be a delay in contact. We encourage suppliers to proactively approach customers when there are signs that the customer may be in payment difficulty, in line with their regulatory obligations. We will continue to monitor this data to better understand if this is a genuine upward trend or an increase limited to this year.

**Figure 2.2 Number of customers repaying a debt to their supplier, and (since 2012) total number of customers in debt, including those in arrears but not yet repaying a debt**



**The proportion of consumers repaying a debt across the nations has remained stable**

2.26. The proportion of consumers repaying a debt remains similar across the nations for gas - England: 2.3%, Scotland: 2.5%, Wales: 2.2% and electricity England: 2.4%, Scotland: 2.4%, Wales: 2.2%. Since 2014, the proportion of customers repaying a debt has decreased notably in Scotland due to action taken by one large supplier, bringing it more in line with the other nations. Wales has generally had the lowest proportion of customers repaying a debt since 2008.

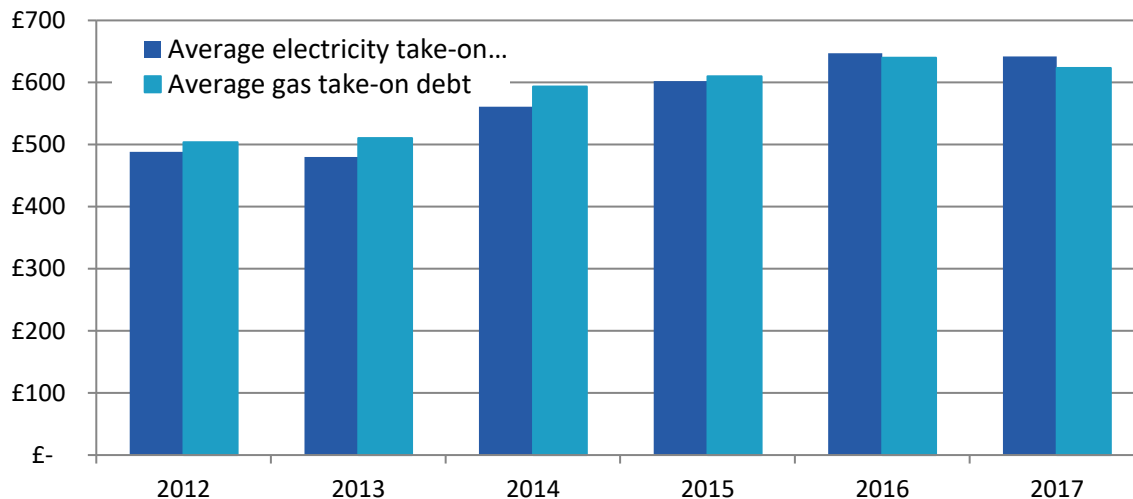
**Take-on debt has decreased further indicating a potential downward trend**

2.27. After an increase in take-on debt (the average level of debt owed at the point customers start repaying it) over the last three years, it is good to see it decrease this year (Figure 2.3). Since our last report, take-on debt has decreased slightly (electricity rising in real terms from £602 in 2015 to £647 in

<sup>72</sup> We started collecting data on the number of customers repaying a debt to their supplier in 2006, and since 2012 we started collecting data on the total number of customers in debt, including those in arrears but not yet repaying a debt.  
<sup>73</sup> Customers in 'arrears' are customers who have bills which remain outstanding for longer than 91 days or 13 weeks after they are issued, and who have not yet set up a debt repayment arrangement.

2016 then falling to £642 in 2017; for gas, from £610 in 2015 to £640 in 2016 and then falling to £623 in 2017).<sup>74</sup>

2.28. Figure 2.3: Average debt at the point they started repaying a debt for electricity and gas customers in real terms (2017 prices).



However, within the positive downward trend, some suppliers still have higher levels of take-on debt than the average. As last year, we have used a threshold figure of £800 to identify those suppliers who have high take-on debt figures. Of the large and medium suppliers, only npower (£979) has increased their electricity take-on debt from last year. Utility Warehouse (£985) and First Utility (£499) decreased, the latter improving significantly.

2.29. In 2016, we highlighted npower (£831), Utility Warehouse (£911) and Spark Energy (£840) as the large and medium suppliers of gas who have high take-on debt. npower take-on debt has increased to £861 and both Spark Energy and Utility Warehouse have managed to decrease their figures to £571 and £876 respectively.

2.30. We are also concerned about the take-on debt levels of some of the smaller suppliers, but it is difficult to say whether or not this is due to supplier performance because they have very few customers in debt. We will continue to engage with these suppliers to make sure they have appropriate mechanisms in place to engage with customers in debt.

2.31. Average take-on debt as an indicator over short periods of time has some limitations, as higher debts typically take longer to clear than lower debts. The average can be pushed up as lower debt customers clear their debts and come out of the average calculation. However, with proper debt management practices the longer-term trend should continue to be downwards as take-on debt levels decrease and historic higher debt customers fall out of the average. In the short-term a customer's outstanding debt levels (Figure 2.4) give a good indicator of suppliers' efforts to tackle customer debt. We are aware that this limitation applies to data for some suppliers such as npower and Utility

<sup>74</sup> Definition of 'take-on debt' here is the average debt when debt repayment arrangement is set up.

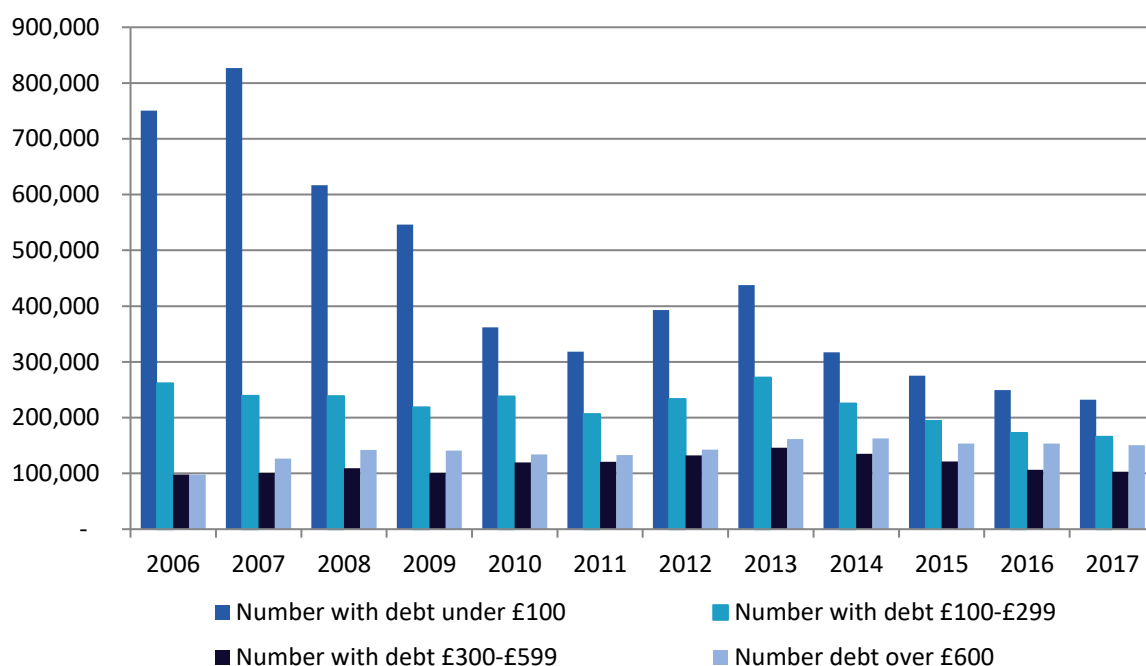
Warehouse. While their average take-on debt levels remain above our £800 threshold, we will continue to monitor progress.

2.32. However, the data does show that some suppliers must do more to identify customers in payment difficulty earlier and prevent debt from building up. We expect these data points to show a positive trend. We are aware that suppliers of all sizes are making changes to their collections processes to engage customers earlier on and more proactively to help avoid debt from building up, for example by sending SMS messages prompting customers to engage or creating specialist teams making outbound calls.

**Suppliers need to improve further how they deal with large levels of debts**

2.33. Overall, suppliers are getting better at dealing with customers with low levels of debt. We continue to see a steady decline in the number of customers who are repaying debts below £100 (Figure 2.4). However, the number of customers with higher debts, particularly over £600, has fallen much more slowly over time.

**Figure 2.4 Number of electricity customers with outstanding debt below £100, £100-£299, £300-£599 and over £600 (data is similar for gas)**



2.34. We are encouraged that most large suppliers have continued to reduce the number of customers with debts over £600 since 2013. However, in 2017 a few suppliers showed a slight increase in the number of customers with debts over £600. One large supplier did feedback that even customers with small debts can be hard to reach, and if left the debt can increase quickly, showing the importance of engaging early and proactively with consumers in debt.

2.35. Some suppliers have trust funds and hardship funds established specifically to help customers who are struggling with their bills. Sometimes these are used to clear a debt completely. These can be open to all customers (British Gas Energy Trust) or the supplier’s own customers (E.ON Energy Fund, npower Energy

Fund, OVO Energy Fund, ScottishPower Hardship Fund and SSE Priority Assistance Fund). The EDF Energy Trust is open to EDF Energy customers but other debts, including monies owed to other energy companies, will be considered in the application process.

### **Some suppliers need to do more to engage customers in payment difficulty**

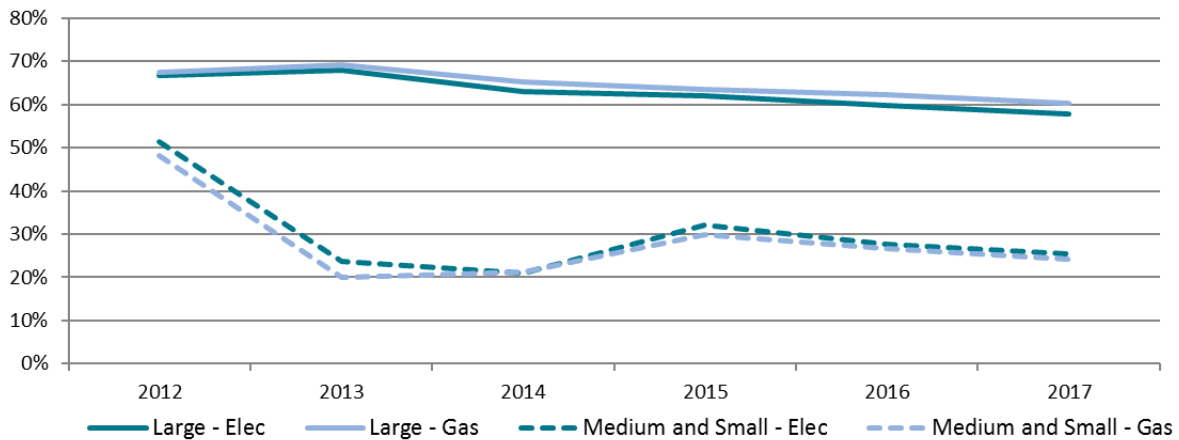
- 2.36. The number of customers who are in debt and who have a repayment arrangement set up has been in steady decline for large suppliers. And despite a rise in repayment arrangements for medium and small suppliers between 2014 and 2015, there has been a steady decline since 2015 (Figure 2.5). Currently, this is an average of only 24% compared to 60% for large suppliers for gas.<sup>75</sup> This is of concern as some small and medium suppliers have increasing numbers of customers with large debts.<sup>76</sup> We are particularly concerned about Co-operative Energy and Solarplicity (formerly LoCO2) who have a larger percentage of customers in arrears and a very small percentage of customers on repayment plans. Solarplicity have told us this was caused by IT issues. We are also concerned about First Utility who have a very large number of customers in arrears.
- 2.37. Suppliers, as an overall approach, should be proactive in setting up and negotiating debt repayment arrangements based on the customer's ability to pay. As mentioned previously, initiating contact with a customer who is falling into arrears is a good example of this. Some small and medium suppliers in particular should be doing more to communicate with customers early in the debt path.
- 2.38. We would expect an increase in the percentage of payment plans set up from the larger suppliers, many of whom have implemented specialist staff training on vulnerability and debt or who have assigned teams to deal with vulnerable customers. For example, EDF Energy has shown an above average proportion of indebted customers on a repayment plan. It has a dedicated vulnerability team and its debt improvement plan includes increased attempts to contact customers through various means.

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<sup>75</sup> For electricity the numbers are 25% and 58% respectively.

<sup>76</sup> The average derived here does not take into account different means of addressing the likelihood of customers falling into debt and differences of supplier handling of repayment plans.

**Figure 2.5 Proportion of customers who are in debt who have a repayment arrangement set up – by supplier type (this gives an indication of how proactive suppliers are getting customers onto repayment plans)**



2.39. We want suppliers to be as flexible as possible in their attempts to communicate with customers in debt. From our ongoing discussions with suppliers, we are seeing various engagement routes and tools being used to attempt to communicate with customers such as calls, emails, texts, and home visits. Some suppliers have recently reviewed their debt letters to prompt a better response from customers and to avoid causing anxiety. We expect suppliers to include debt communications as part of their regular review of their own policies and practices.

## Key findings: Repaying debt

### Fewer customers are repaying a debt but those who are in arrears without a repayment plan has increased

2.40. The number of customers repaying a debt to their electricity and/or gas supplier has been decreasing since 2013, and it is now 652,136 for electricity and 538,965 for gas.<sup>77</sup> However, the number of customers in arrears without a repayment plan has increased this year. The total number of customers who are repaying a debt or are in arrears is now 1,248,042 for electricity and 994,787 for gas.<sup>78 79</sup>

2.41. We urge all suppliers to actively engage with consumers who are in arrears. Research by the Financial Conduct Authority shows that 24% of UK adults have little or no confidence in managing their money, and 46% of all UK adults report low knowledge about financial matters. Further results show that 4.1 million people are categorised as being in difficulty, because they had already failed to pay domestic bills or meet credit commitments in three or more of the last

<sup>77</sup> Compared to 2013 figures 1,017,147 for electricity and 936,122 for gas.

<sup>78</sup> Compared to 2016 figures 1,195,635 for electricity and 971,362 for gas.

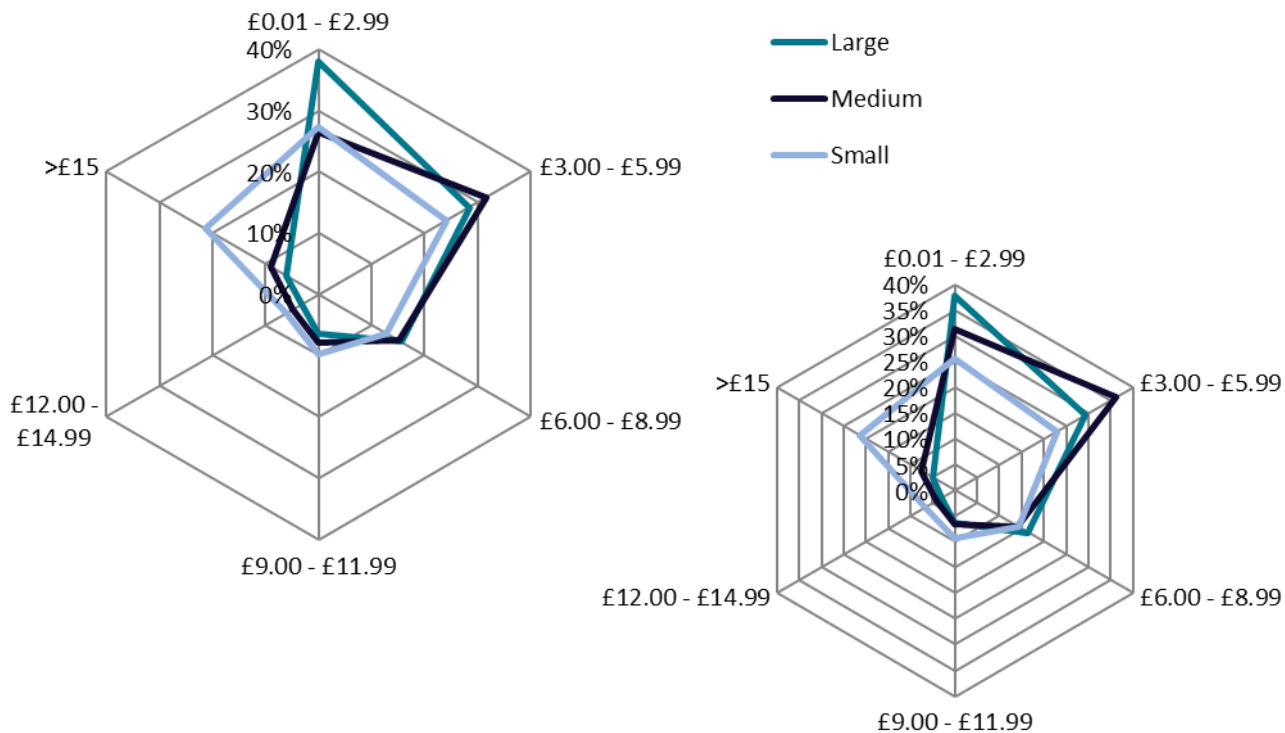
<sup>79</sup> Customers in arrears are customers who are more than three months late in making a payment, but do not yet have a debt repayment arrangement set up.

reported six months.<sup>80</sup> It is both in suppliers’ and their customers’ interest to make sure arrears are addressed as soon as possible.

**Smaller suppliers are setting the highest repayment rates - High rates vs a sustainable repayment plan**

2.42. On average, customers with large suppliers are more likely to have a repayment rate of between £0.01 and £2.99 compared to smaller and medium suppliers. 38% of customers with large suppliers are on the lowest repayment rate, while 26% of medium supplier customers and 27% of small supplier customers are on the lowest repayment rates.

**Figure 2.6: Weekly repayment amounts for customers repaying a debt at large, medium, and small suppliers (2017) (Left: electricity; right: gas)**



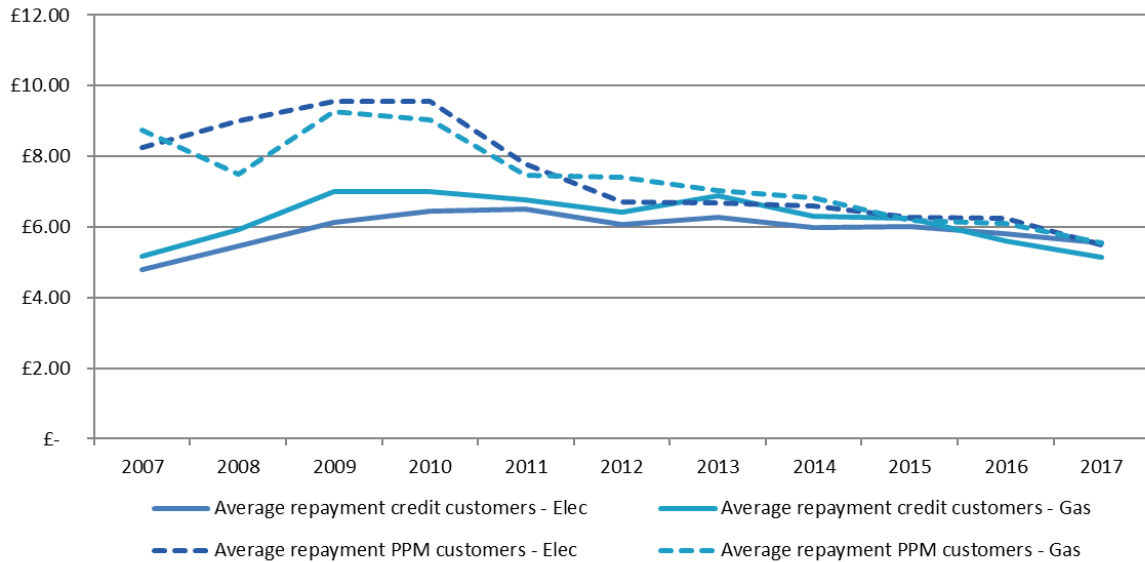
2.43. We found that small suppliers have a higher proportion of customers (21%) in the >£15 repayment bracket compared to 6% for large suppliers.<sup>81</sup> Although we have received consistent feedback about setting sustainable repayment plans for customers from a range of suppliers, it has been disappointing to see that many small suppliers still have a high proportion of customers in the highest weekly repayment rate bracket. These smaller suppliers need to be mindful of how affordable these high repayments are. Some customers will be able to afford the higher rate and will prefer to pay off their debt quicker. However this will not be the case for all of their customers. We would argue that while it can

<sup>80</sup> Financial Conduct Authority (FCA) (2017) Understanding the financial lives of UK adults: findings from the Financial Conduct Authority’s Financial Lives Survey

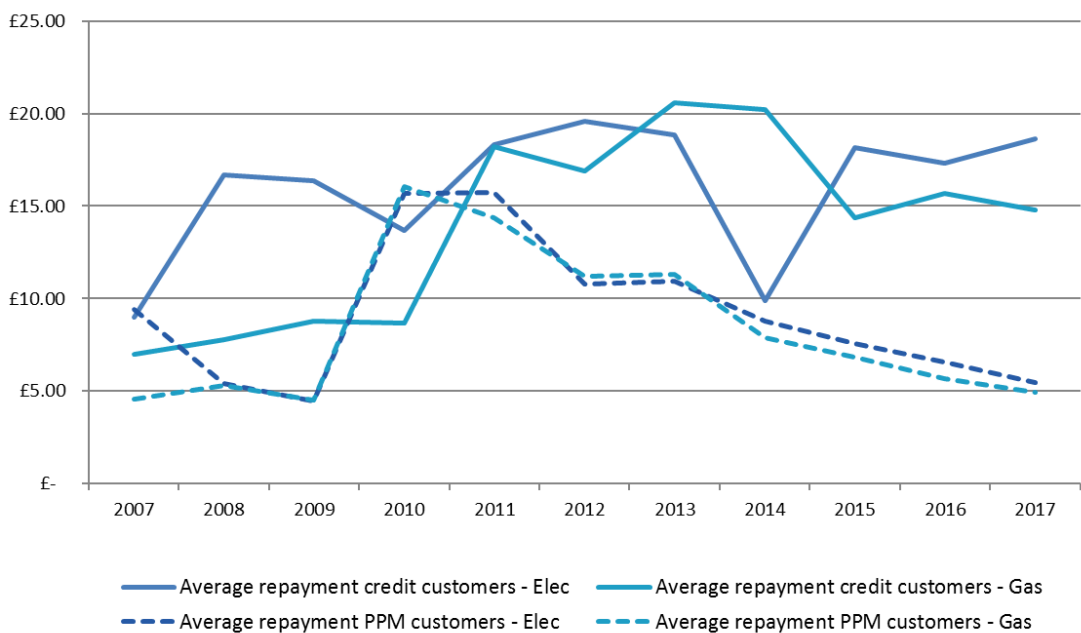
<sup>81</sup> Referring to Ofgem data collection of annual supplier electricity figures for 2017.

be beneficial, for customers who can afford it, to pay off debt quickly, we encourage suppliers to review their standard repayment rates.

**Figure 2.7: Average repayment amounts for customers repaying a debt repaying via credit and via PPM in real terms (2017) - Large suppliers**



**Figure 2.8: Medium and small suppliers**



**Prepayment customers continue to face obstacles when trying to access better deals**

2.44. On 1 October 2017, we set the level of the prepayment price cap for the period until 31 March 2018. The cap was introduced following the CMA’s investigation to protect prepayment customers that benefit least from competition and typically do not have access to the cheapest tariffs on the market.

2.45. As of 28 March 2018, the prepayment cap was set at £1,031.27 and the cheapest prepayment tariff in the market was £945.76. This means prepayment



consumers could save just over £85 by switching to the cheapest prepayment tariff in the market.

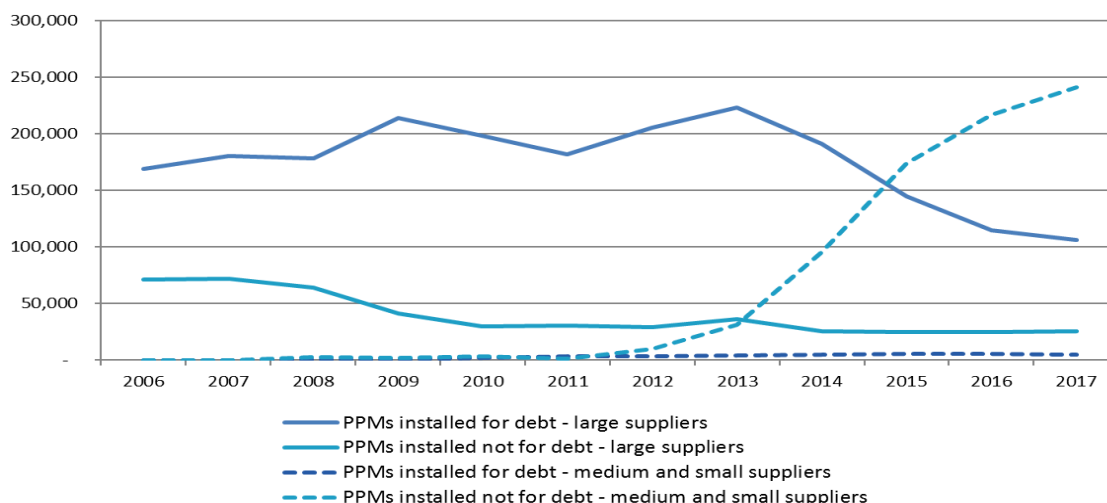
2.46. However, prepayment customers are still unable to access the cheapest fixed-term deals. A prepayment customer could save up to £221.16 where they are able to change to the cheapest direct debit tariff in the market.<sup>82</sup> It is important that prepayment customers can switch to a better deal whether this is switching to another supplier to save money or switching payment method.

**The number of new PPMs installed to collect debt continues to decrease**

2.47. We are pleased that the total number of new PPM installations for debt has decreased significantly since 2013. We have been insistent and consistent in our messaging that prepayment meters should only be installed once all other payment options have been explored and exhausted.

2.48. The data on PPMs installed not for debt are mainly down to one supplier installing smart PPMs for new customers and is driving the upward trend.

**Figure 2.9: Number of gas PPMs installed for debt and not for debt by different types of suppliers.**



**Key findings: More debt-free PPM customers have not been allowed to switch to credit**

2.49. A number of larger suppliers are driving this trend. The vast majority of suppliers do not refuse requests from (many) debt-free customers who wish to switch to credit. Since 2012 there has been a steady overall increase in the numbers of customers changing from PPM to credit. However, between 2016 and 2017 there has been a sharp decrease (297,132 to 213,582). This is mainly driven by British Gas and ScottishPower who refuse a large number of requests.

<sup>82</sup> Figures calculated based on Ofgem data published on our [website](#). Based on data on 28 March 2018. Based on the difference between the level of the prepayment price cap and the cheapest tariff in the market.

We have heard from both suppliers that they do this to protect consumers from going back into debt in the future.

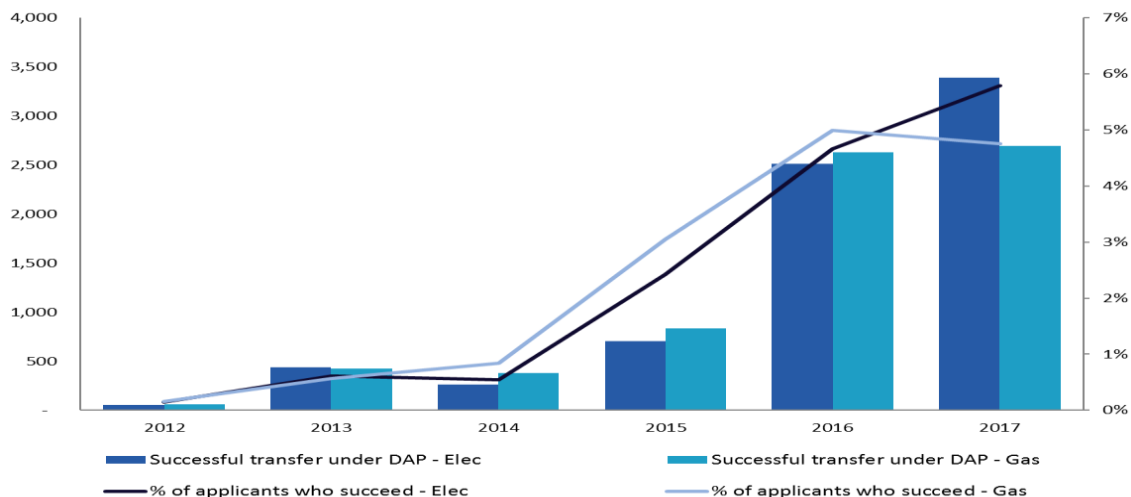
2.50. We are currently discussing with suppliers how they assess whether or not a debt-free customer can switch to credit. We know that ScottishPower has recently lowered its threshold for when a debt-free customer can switch. We would like to see evidence from suppliers to help us understand to what extent debt-free customers who do switch to credit from prepayment, go into debt again. This data should allow us to make an evidence-based assessment on these practices and work with industry to improve the overall outcome for consumers and make sure they can get access to the best deals.

**Switching to a better prepayment tariff using the Debt Assignment Protocol**

2.51. The Debt Assignment Protocol (DAP) only applies to prepayment customers. Prepayment customers with a debt between £10 and £500 per fuel are entitled to switch supplier through the DAP. The DAP removes barriers to switching supplier by allowing the transfer of a customers’ debt to the new supplier so they can access a better deal to help them repay their debt in less time.

2.52. We welcome the continued increase in customers using DAP to switch suppliers as this is an area we have previously identified where suppliers could do more. After changing the electricity and gas supply licences which increased the amount of debt a PPM customer could have and still be able to switch supplier, from £200 to £500, we have seen an impressive increase since it came into force in July 2015.<sup>83</sup> We expect this to continue, especially with regards to electricity transfers, which are showing the biggest improvement. We expect suppliers to continue working to improve successful transfers for both gas and electricity, and will be monitoring closely for next year’s report.

**Figure 2.10: The number of customers who successfully transferred to a new supplier under DAP and the proportion of applicants who succeed**



2.53. In 2017, the successful switches increased from 2,512 electricity to 3,395 and from 2,630 to 2,694 for gas customers. British Gas and E.ON lead the large

<sup>83</sup> Standard licence condition 14.6 of the electricity and gas supply licence.

suppliers on the proportion of customers who begin the DAP process and succeed in switching to a new supplier.

- 2.54. Many applications do not progress far, as fewer than 15% reach the stage where debt information is passed on by the old supplier to the new supplier. There seems to be variance in how the new supplier deals with administration issues such as an incorrect customer name on a form. This can have the outcome of being corrected or the form being dismissed and this is very concerning. We argue that some suppliers need to be precise with the information they collect and how it is processed, and be more pragmatic about fixing potential data issues to facilitate the DAP switch. We encourage suppliers to make sure data is accurately recorded and checked, and to make sure the processes they have put in place work well.
- 2.55. The proportion of applicants who successfully switch through the DAP remains low at just 6% for electricity and just under 5% for gas.<sup>84</sup> We think that overall a higher proportion of switches are completed outside of the DAP (for example, a customer may repay their debt to the outgoing supplier in full or partway through the switching process and switch to their chosen supplier without the need for debt transfer via the DAP).<sup>85</sup>

## Key findings: energy efficiency advice

- 2.56. Energy efficiency advice can be very helpful when customers are trying to reduce their bills and carbon emissions. All suppliers must keep and maintain information about energy efficiency and be able to direct customers to sources where they may obtain further information or practical guidance. This information should include details about financial help available from the government towards the cost of improvements to the home or information available through bodies for those in receipt of financial assistance (SLC 31.2). Such information must be provided free of charge should the customer request it by way of a telephone advice line and/or their website (SLC 31.3). Suppliers must provide energy efficiency information to customers in payment difficulty (SLC 27.6 (b)) and when a smart meter is installed.<sup>86</sup>
- 2.57. More consumers overall are contacting supplier energy advice lines staffed by qualified energy efficiency advisers – last year the figures were 168,803 compared to 135,913 in 2016. Similarly, the number of website hits on a dedicated energy efficiency web page has increased from 5,409,543 in 2016 to 7,884,885 in 2017. Increased access to these energy efficiency resources should suggest that fewer consumers will find themselves in financially vulnerable situations if they can effectively make use of them.
- 2.58. However, the data suggests that many customers continue to find themselves in payment difficulties. Fewer customers in debt are contacting an energy efficiency helpline. Suppliers must do more for vulnerable customers in payment difficulty, using all reasonable means available, and provide them with

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<sup>84</sup> This is the proportion of all customers who apply for DAP (the issuing of a supply point objection) who successfully complete their transfer through the DAP process (a G/D0309 record).

<sup>85</sup> Ofgem (2017) [Debt Assignment Protocol: CMA remedy implementation](#)

<sup>86</sup> SMICoP (2017) [Smart Meter Installation Code of Practice](#)

timely, equitable access to information and services that will secure the fairest outcome.

- 2.59. We are especially interested to see how the ongoing smart meter rollout and subsequent data available to suppliers is used to improve the wellbeing of vulnerable consumers, particularly the requirement on suppliers to provide tailored energy efficiency advice. Ofgem continues to examine and assess the data collection around vulnerable consumers to ascertain whether we are seeing the whole picture and where appropriate improve the research metrics.

## 3. Staying on supply

### Section summary

Having continuous access to heat and light is vital to health and wellbeing, especially when it affects someone's health. People who are financially vulnerable or in debt are at higher risk of going off supply when they use a prepayment meter (PPM) due to the inherent risk of self-disconnection or technical issues with topping up. Disconnecting a customer's energy supply should be a last resort and avoided wherever possible. This chapter explores how suppliers are helping vulnerable customers to stay on supply.

### 2017 findings at a glance...

- The number of PPMs installed under warrant has risen slightly since last year. This is the first time warrant use has increased since 2012; this is mainly driven by one supplier. However, the total number of customers having a PPM installed for debt continues to fall.
- The number of disconnections fell drastically (a 92% decrease compared to 2016) to only 17 disconnections in total. Only five suppliers in total disconnected customers. For the first time since we started recording this data, there have been no disconnections for debt in Scotland.

## What we expect of suppliers

### Ensuring it is safe and practicable to use PPMs

- 3.1. Suppliers can only install PPMs for debt where it is safe and reasonably practicable (SLC 27.6(a)(iii)) and when they become aware this is no longer the case must offer the customer ways to remedy the issue. (SLC 28.1A and 28.1B). For example, suppliers must ensure that the meter is accessible for consumers. A meter is not accessible if the consumer is in a wheelchair and the meter is in the basement, high on a wall or outside. We updated our guidance on the interpretation of "safe and reasonably practicable" in March 2016.<sup>87</sup>
- 3.2. SLC 28.1 also requires suppliers to provide information to consumers prior to or upon installation of a PPM so they understand how to operate their meter, how to top-up and stay on supply, as well as the advantages and disadvantages of a PPM.
- 3.3. Once a PPM is installed, whether for debt recovery or other purposes, we want suppliers to proactively monitor that a PPM continues to be safe and reasonably practicable. For example through monitoring whether or not a consumer is topping up the meter. With more and more smart meters being installed, we expect suppliers to have a better insight into whether or not consumers are effectively using their prepayment meter. And if not, we expect them to

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<sup>87</sup> Ofgem (2016) [Smart prepayment for a smarter market: our decisions](#)

adequately support their customers when they suspect a PPM may not be safe or reasonably practicable in line with their obligations (SLC 28.1A).

- 3.4. These protections aim to reduce the risk of self-disconnection. Supporting these licence requirements are Energy UK's ten principles to provide improved safeguards for prepayment customers.<sup>88</sup> Currently, 13 suppliers have signed up to follow these principles in order to support consumers on prepayment meters.<sup>89</sup> These principles mirror some of the licence requirements on suppliers and provide some additional elements to ensure positive consumer outcomes.<sup>90</sup>

### **Only use warrants to install PPMs after exhausting all other options and to prevent disconnection**

- 3.5. As discussed in the chapter on Affordability and Debt, when a customer falls into financial difficulty, suppliers must offer them a range of debt repayment options – including the option to repay via a PPM. Suppliers may obtain a warrant to install a PPM to secure payment for ongoing energy use and debt repayments when all appropriate and proportionate steps have been taken to engage with that customer. This must be used as a last resort to avoid disconnecting the customer. Force-fitting a PPM under warrant can be an upsetting experience and customers are often required to pay for the warrant process, further exacerbating their debt.<sup>91</sup>
- 3.6. We were concerned that suppliers were not engaging sufficiently with consumers who were falling into debt, and using warrants too quickly. We were also concerned that suppliers were failing to identify vulnerable consumers throughout the warrant process, charging vulnerable consumers excessive costs. There also appeared to be inconsistency in warrant charges across suppliers. We have therefore introduced new protections that came into effect this year. They include a ban on using warrants for consumers who would find the experience traumatic, a prohibition on warrant-related charges for the most vulnerable consumers and a cap of £150 in all other cases.
- 3.7. Suppliers must ensure that all actions they take up to, and including, applying for a warrant are proportionate. Furthermore, the new protections in SLC 28B include a proportionality principle for debt recovery activities. Suppliers should only apply for a warrant where such an action would be proportionate to the outstanding amount. More broadly, this prohibition should encourage suppliers to ensure that any debt recovery activities they undertake are proportionate. We will review next year how these new protections have impacted the use of warrants by suppliers.

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<sup>88</sup> Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. E.UK membership covers over 90% of both UK power generation and the energy supply market for UK homes.

<sup>89</sup> The updated principles had 12 suppliers as signatories at the time of launch, October 2016: Bristol Energy, British Gas, Cooperative Energy, Ecotricity, EDF Energy, E.ON, First Utility, Good Energy, npower, ScottishPower, SSE and Utility Warehouse. Utilita became signatories in November 2016.

<sup>90</sup> [Energy UK PPM principles](#)

<sup>91</sup> [Ofgem \(2017\) Decision to modify gas and electricity supply licences for installation of prepayment meters under warrant](#)

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## **Disconnecting customers should always be a last resort**

- 3.8. Disconnecting a customer’s energy supply should always be a last resort and avoided wherever possible. SLC 27 prohibits suppliers from disconnecting pensioners (including if they live with children under age 18) during the winter, and requires suppliers to take all reasonable steps to avoid disconnecting premises that include any pensioners, disabled or chronically sick customers in winter. Suppliers must not disconnect anyone whose debt they have not taken all reasonable steps to recover first by using a PPM. Our Standards of Conduct require suppliers to treat each customer fairly. We expect suppliers to consider on a case-by-case basis whether it is fair to disconnect customers.
- 3.9. Under the supplier Guaranteed Standards of Performance, if a supplier disconnects a customer’s meter for non-payment of charges, and does not reconnect the meter within 24 hours of the customer paying the charges or setting up a repayment plan, the supplier must pay the customer £30 compensation.<sup>92</sup>
- 3.10. The six largest suppliers have formally signed up to Energy UK’s ‘Safety Net’ which includes a commitment to never knowingly disconnect customers in vulnerable situations at any time of the year, and to reconnect those subsequently identified as vulnerable as a priority and usually within 24 hours.<sup>93</sup> Signatories undergo an audit each year to measure how they deliver against the Safety Net objectives.

## **Key findings: PPMs, including installations under warrant**

### **The total amount of customers using PPMs increased slightly in 2017**

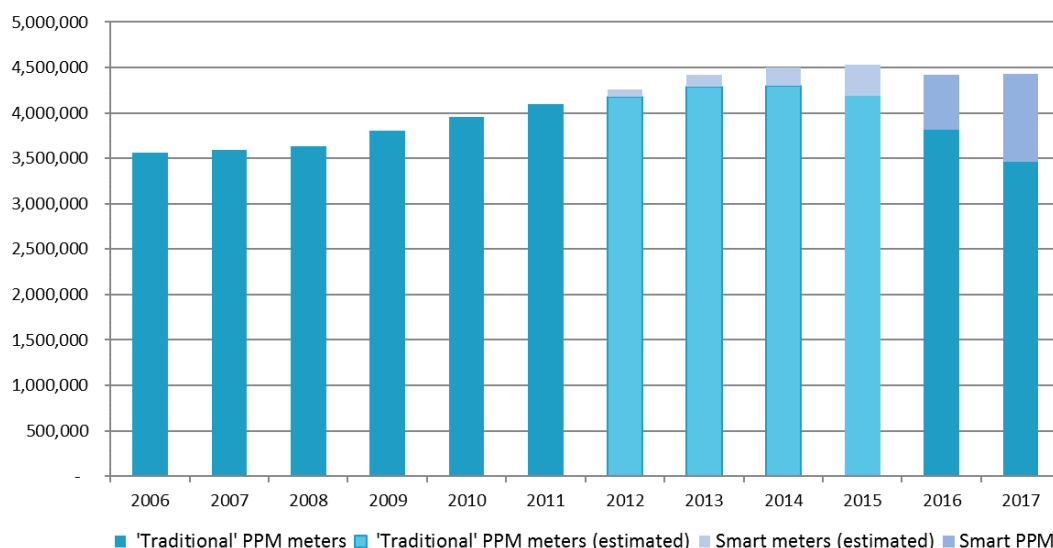
- 3.11. There are around 4.5 million electricity and 3.5 million gas customers who are on a PPM. This number has increased slightly since last year, and has been largely driven by the installation of smart meters in prepayment mode. However the proportion of customers paying via a PPM has gone down slightly for both gas and electricity as the total number of meters has gone up. The proportion of consumers using PPMs in the three nations shows little change from last year.

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<sup>92</sup> The supplier Guaranteed Standards of Performance place service level requirements on suppliers when they have certain interactions with their customers. Suppliers must pay compensation to customers where they breach an individual standard. The Guaranteed Standards can be found [here](#).

<sup>93</sup> [Energy UK Safety Net for Vulnerable Customers](#)

**Figure 3.1: Number of PPM customers**



**About half of consumers had their PPM repositioned free of charge at their request compared to 2016**

3.12. 1,154 PPMs (either electricity meters or gas meters) were repositioned free of charge in 2017 compared to 2,374 in 2016. This is a large decrease compared to 2016, but similar to 2015. We will keep this under review, as it might indicate that suppliers are doing less to make sure prepayment meters continue to be safe and reasonably practicable. But could also indicate fewer requests from consumers.

**The total use of warrants has gone up slightly and is driven by one large supplier**

3.13. The total number of warrants used has increased for the first time since 2012, bucking the trend of a slow decline in the total use of warrants. We are very concerned at this development as we want suppliers to focus more on engaging with customers and only force-fit a PPM when other options have been exhausted. An increase in numbers suggests that suppliers are not doing enough to explore alternatives. British Gas has mainly driven this increase in total numbers and has said this is because it has focused on harder-to-reach customers in the last year. This is in contrast with a continued fall of total PPMs installed for debt since 2013.

3.14. Some medium and large suppliers install a higher number of PPMs under warrant per 1,000 newly indebted customers than average.<sup>94</sup> The average is 53 for electricity and 63 for gas. British Gas, OVO and Utility Warehouse are the suppliers who install the highest numbers of PPMs under warrant per 1,000 newly indebted customers of the medium and large suppliers. Following engagement with Ofgem, OVO stopped installing PPMs under warrant in

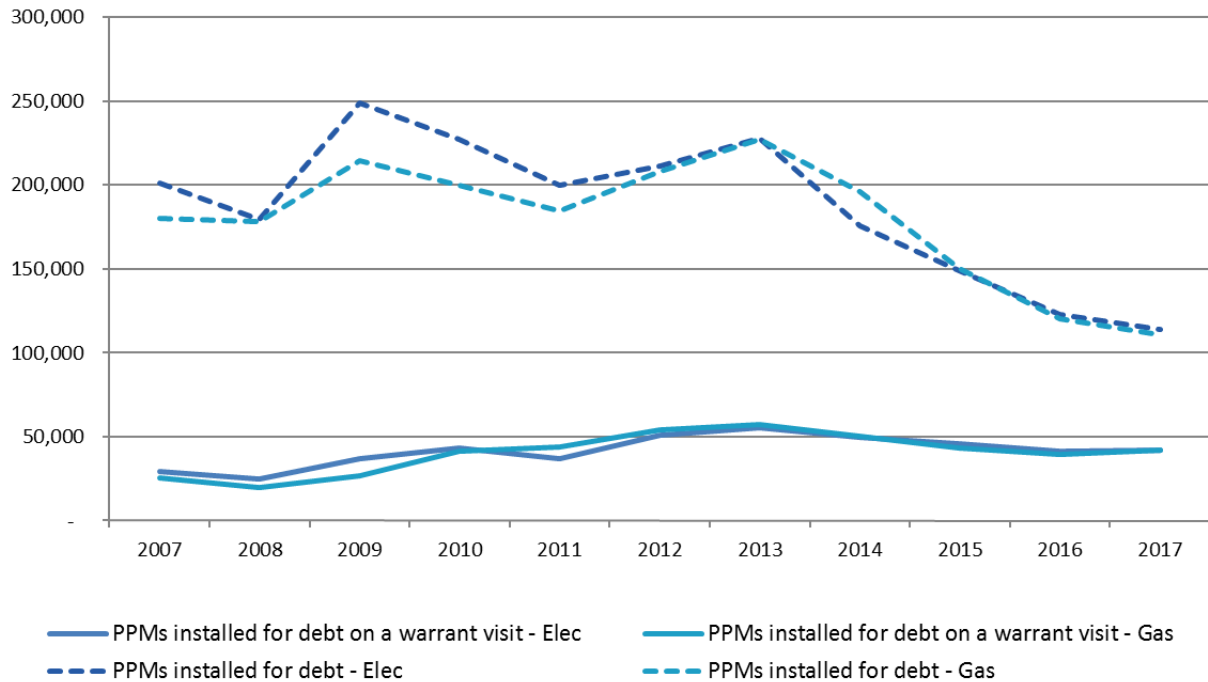
<sup>94</sup> Newly indebted customers means customers entering into a debt repayment arrangement during 2017.



September 2017. Utility Warehouse’s number of PPMs installed per 1,000 newly indebted customers has gone down, but is still the highest of all suppliers.

3.15. As we have introduced new rules to restrict the use of warrant this January, we expect the number of prepayment meters installed under warrant to be lower in next year’s report. We have heard from a number of suppliers that they have amended their process for using warrants following the rule changes.

**Figure 3.2: Number of PPMs installed for debt under warrant and PPMs installed for debt**



**Extra Help Unit case study**

The consumer had health conditions including a chronic bowel condition and was awaiting an operation. He received welfare benefits.

He was referred to the EHU after receiving a letter stating a warrant would be carried out on the gas account within a matter of days. He stated he had not been notified of the warrant or court hearing prior to this.

He had contacted the supplier, but they had been unwilling to set up a suitable payment plan stating the warrant would have to go ahead.

The EHU negotiated with the supplier to accept payments for usage only pending an application to the supplier’s trust fund to repay the balance, which was confirmed as £220. The payments were set up and the warrant cancelled.

## **Key findings: Disconnections**

### **Massive decrease in disconnection**

- 3.16. There were only 14 disconnections for electricity and three disconnections for gas in 2017. This is a considerable decrease compared to 2016 when 210 customers were disconnected for debt.
- 3.17. There have been no smart disconnections for debt reported in all years. Smart meter customers can be subject to load limiting and credit limiting, where the supplier limits the flow of electricity supplied to a customer. Both of these practices can be equivalent to disconnecting a customer. We are pleased that suppliers did not subject any customers to load limiting or credit limiting in 2017. However, in 2017 there were four consumers with smart meters disconnected in error by British Gas. British Gas has informed us this was due to an installation error. Three of the consumers were reconnected within four hours and the last one was reconnected within 24 hours.

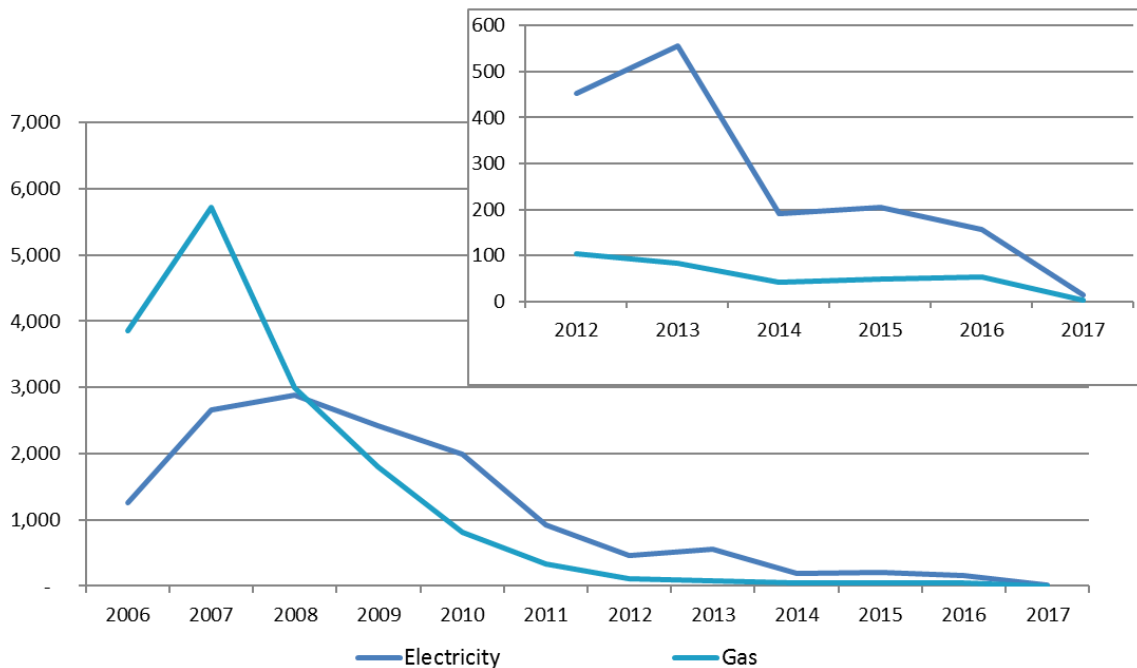
### **Suppliers have been working hard to lower disconnection rates**

- 3.18. We are really pleased to see such a large decrease over last year and previous years in the number of disconnection. This has been a priority for us and we are impressed with how the industry has picked up the challenge. We can truly say that disconnections are now extremely rare. We have seen some positive changes of supplier practices regarding disconnections during 2017. While npower and Utility Warehouse had the most disconnections for debt in 2016, neither have disconnected a single customer for debt in 2017. Another supplier who disconnected consumers for debt in 2016, EDF Energy, has not disconnected anyone in 2017 either.
- 3.19. SSE and Ecotricity have, as in 2016, disconnected consumers in 2017. They are joined by E.ON and Green Energy, who also disconnected consumers in 2017. However the number of disconnections is very low (17 in total). It is very positive to see that there have been so few disconnections and the great progress that has been made by suppliers to reduce them.

### **There have been no disconnections in Scotland and very few disconnections in Wales and England.**

- 3.20. For the first time, since we started recording data on disconnection in 2006, there have been no disconnections for gas and electricity in Scotland. There were four disconnections in Wales (three for electricity and one for gas) and 13 in England (10 for electricity and three for gas).

**Figure 3.34: Annual disconnections for gas and electricity customers**



## Key findings: Self-disconnection and self-rationing

- 3.21. Self-disconnection happens when a consumer with a prepayment meter does not have enough money to top-up their meter and their meter cuts out, or when they do not realise that credit on the meter is running out. Closely associated with self-disconnection is self-rationing. This is when a PPM customer who is in a financially vulnerable position may deliberately limit their energy use to save money, or restrict spending in other areas in order to pay their energy bills.<sup>95</sup>
- 3.22. Citizens Advice estimate that about 16% of consumers with prepayment meters self-disconnect at least once a year.<sup>96</sup> Of these consumers:
- 50% had someone with a mental health condition,
  - 33% had a young child,
  - 87% were in receipt of benefits.

<sup>95</sup> Christians Against Poverty (2015) [The poor pay more: prepayment meters and self-disconnection](#)

<sup>96</sup> Citizens Advice (2018) [Switched On – Improving support for prepayment consumers who’ve self-disconnected](#)

### **Extra Help Unit Case Study**

The consumer resided alone and had mobility problems due to a long term leg injury. His benefit income had changed from Incapacity Benefit to Universal Credit and he was struggling to adapt to this change. His income had reduced by £120 per month and he was being paid monthly rather than fortnightly.

He was referred to the EHU as he had self-disconnected from his gas prepayment meter. There was a build-up of debt and Standing Charges on the prepayment meter of £42 and he could not afford to top up.

The EHU contacted the supplier as a priority and arrangements were made to have the meter reset with the debt re-added to be recovered at a rate of £3.75 per week.

A fuel voucher of £49 was also arranged by the supplier under a fuel voucher scheme following the EHU referral.

3.23. We have ongoing concerns about the health and wellbeing impact of self-disconnection and self-rationing upon the individual or family, and how it may lead to, or cause, further harm. For example, self-disconnection and severe self-rationing can cause or exacerbate existing health problems.<sup>97</sup> The National Institute for Health Care Excellence found a strong relationship between a higher number of deaths and people who fell ill due to cold homes and factors such as age, disability and deprivation.<sup>98</sup>

3.24. Citizens Advice suggests that all PPM customers, and particularly vulnerable consumers, should have certain aspects of their fuel payment process made much easier. They include:

- Access to emergency credit
- Access to alternative payment methods if a PPM is not suitable for them (for practical reasons like wheelchair access or the person being agoraphobic). These methods might include direct debits for example.<sup>99</sup>

3.25. As noted above, in 2016, Energy UK and Citizens Advice published principles to address concerns about customers who are, or may be, at risk of self-disconnection.<sup>100</sup> These encompass our existing licence obligations relating to prepayment and set out further expectations for example regarding the monitoring of customer top-ups, the provision of friendly credit and removing a PPM free of charge in certain cases.

3.26. Another issue around self-disconnection revolved around the fact that some consumers would run out of funds before their intended benefits arrived. In autumn 2017 the Government announced a £1.5 billion proposal aimed at improving Universal Credit (UC). Part of the measures focussed upon recipients

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<sup>97</sup> Where a customer has to choose between heating their home and having a hot meal.

<sup>98</sup> National Institute for Health and Care Excellence (2016) [Preventing excess winter deaths and illness associated with cold homes](#)

<sup>99</sup> Citizens Advice (2018) [Switched On – Improving support for prepayment consumers who've self-disconnected](#)

<sup>100</sup> Energy UK (2016) Prepayment Principles. To date, there are 13 signatories to the principles: Bristol Energy, British Gas, Cooperative Energy, Ecotricity, EDF Energy, E.ON, First Utility, Good Energy, npower, ScottishPower, SSE and Utility Warehouse. Utilita became signatories in November 2016.

not having to wait so long (which could be as long as five to six weeks) before receiving their first payment. In relation to vulnerable consumers, this should aid those without any income accessing funds to pay their energy meters and avoid self-disconnecting.<sup>101</sup> Suppliers should offer support to customers throughout the UC, rollout taking into account the customer's ability to pay.<sup>102</sup>

- 3.27. npower has further developed its Fuel Bank scheme with a participating independent food bank and the Trussel Trust Foodbank network to support consumers who self-disconnect or are at risk of self-disconnection. Fuel Banks support consumers regardless of who their supplier is and provides two weeks of fuel vouchers at no cost to the consumer. It's accessible through selected Trussel Trust foodbanks, which links in with all the local networks such as Citizens Advice, social workers and GPs to find consumers to support. A specific helpline has also been created for Fuel Bank clients and foodbanks. At the end of 2016 the scheme had helped 44,000 PPM customers. Now rolled out across the UK in 14 areas of high deprivation, more than 26,000 vouchers have been issued across the fuel bank network since launching to April 2017, helping over 56,000.<sup>103</sup> ScottishPower also piloted a similar scheme in October 2017.
- 3.28. We continue to be concerned about self-disconnection and we will publish a call for evidence on industry practices and consumer outcomes in in the near future. We will also publish our consumer engagement survey in the next few months which will include insight into self-disconnection.

### **Reducing the risk of self-disconnection using smart prepayment**

- 3.29. Of all PPMs currently installed, around 23% are smart. Smart meters can lead to better outcomes for PPM customers by making it easier for customers to top-up and switch between prepayment and credit modes and pay in a variety of ways which mean the customer does not have to leave the house and there are obvious benefits here for some vulnerable customers. Smart meters will also allow suppliers to monitor consumption to assess the risk of self-disconnection.
- 3.30. As with traditional PPMs, where there is a risk of self-disconnection, suppliers can offer short-term support to get on supply, including emergency, discretionary and friendly credit (see below). Smart PPMs can also help consumers budget using tools such as low credit alerts and high consumption alerts. Suppliers need to ensure they consider the needs of vulnerable customers in the smart meter rollout, through all stages of the consumer journey. Last year we started collecting information on smart prepayment functions that help consumers to manage their bills and protect against self-disconnection.

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<sup>101</sup> *Ibid.* Under changes for Universal Credit there will also be changes to the way UC interacts with Fuel Direct which will impact upon vulnerable consumers– for more information please refer to the guidance issues by the Department for Work and Pensions:

<https://www.gov.uk/government/publications/how-to-request-deductions-from-benefit-a-guide-for-creditors/third-party-deductions-from-benefits-a-guide-for-fuel-suppliers>

<sup>102</sup> Further information about the [Ability to Pay principles](#)

<sup>103</sup> Sustainability First Project Inspire (2018) [Energy for all – Innovate for all](#)

- All suppliers with customers on smart prepayment meters offer emergency credit. Most offer £5 or £10 and the customer pays this back the next time they top up.
- All suppliers that offer smart prepayment provide friendly credit during evenings/night-time, weekends and bank holidays (which allows a customer to have a continuous supply). This is an improvement on last year when one supplier didn't offer friendly credit on bank holidays.
- Most suppliers (15 out of 17) installing smart meters (an increase by three from last year) offer low credit alerts through the In Home Display (IHD). Two suppliers offer email alerts, and four offer text alerts (up one from last year). Eight suppliers offer high consumption alerts via the IHD.

3.31. Although there are benefits to having a smart meter installed, those in vulnerable situations still face many of the same concerns of a traditional PPM. Approximately 14% of smart PPM customers self-disconnected last year (compared to 16% on a traditional PPM) and 50% of those on smart PPMs continued to be concerned about keeping their meter topped up (the same percentage as for traditional meters).<sup>104</sup>

3.32. Going forward, we expect to see more suppliers looking into ways they can offer appropriate financial and non-financial support to those customers who are in danger of self-disconnecting from their PPM. We also expect to hear how suppliers are using the data they collect from smart PPMs to cater for the specific needs of their vulnerable customers, including tailored support to prevent disconnection.

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<sup>104</sup> Citizens Advice (2018) [Switched On – Improving support for prepayment consumers who've self-disconnected](#)

## 4. Distribution network companies

### Section summary

For most consumers, a good service from a distribution network company means receiving a safe and reliable energy supply. However, vulnerable consumers may need more support when there is an interaction with their distribution company. As part of the RIIO price controls, we have put a number of obligations and incentives in place to drive distribution companies to address consumer vulnerability issues. This chapter describes these incentives and shows how companies are performing against them.

### What we expect of distribution companies

- 4.1. The role of distribution network companies is to carry gas and electricity to industrial, commercial and domestic users. Although distribution companies have less regular contact with consumers than suppliers, this contact may often be in relation to network reliability and safety issues, for example in the event of an unplanned outage. We have included some background information on the role of gas and electricity distribution companies in Annex 1.
- 4.2. Like suppliers, distribution companies have a responsibility to empower and protect customers in vulnerable circumstances through obligations placed on them in their licences and other legal requirements, including the previously referred to Equality Act 2010. Similar to obligations placed on suppliers, distribution companies must maintain a PSR, as well as provide information, advice and a number of services free of charge to their PSR customers.
- 4.3. The distribution companies also have to comply with Guaranteed Standards of Performance (GSoP) which are statutory regulations that set out the minimum levels of service that distribution network companies must provide to their customers. Under the GSoP, distribution companies must provide additional support to PSR customers. For the gas distribution network companies (GDNs), this means providing alternative heating and cooking facilities in the event of a gas supply interruption which is not restored within a prescribed amount of time. For the electricity distribution network operators (DNOs), it means that PSR customers automatically receive compensation when their supply is interrupted and is not restored within a prescribed period. In 2016/17 the total value of payments made by DNOs to PSR customers was £161,215.
- 4.4. Finally, through our price control regulation of distribution companies, we also have outputs that the companies need to deliver and incentive schemes that encourage them to do more for vulnerable customers. These are similar but distinct between electricity and gas. We discuss these schemes below.

### Stakeholder Engagement incentives

#### Electricity

- 4.5. In the current price control period, RIIO-ED1, we have in place a Stakeholder Engagement and Consumer Vulnerability (SECV) incentive. This encourages DNOs to engage proactively with stakeholders in order to anticipate their needs and deliver a consumer-focused, socially responsible and sustainable energy

service.<sup>105</sup> With specific regard to the consumer vulnerability element of the incentive, DNOs must be able to demonstrate evidence of the work they are doing to address consumer vulnerability issues.

*Assessing DNO performance under the SECV*

- 4.6. The SECV incentive is designed to financially reward high quality activities undertaken by the DNOs and the outcomes these activities deliver.<sup>106</sup> The allocation of this reward is based on an assessment of the DNOs’ stakeholder engagement and consumer vulnerability activities by a panel of independent experts, chaired by Ofgem. Our SECV Guidance sets out further information regarding the assessment process for this scheme.<sup>107</sup>
- 4.7. Consumer vulnerability carries a 25% weighting of the overall score awarded to DNOs. As the consumer vulnerability element was introduced in 2015, we only have two years of data on DNOs’ performance. Scores are out of 10 and are set out alongside the corresponding financial rewards in Table 4.1.

**Table 4.1 DNO performance under the SECV**

DNO group	2015/16		2016/17	
	Score	Reward (£m)	Score	Reward (£m)
<b>Western Power Distribution (WPD)</b>	8.75	£ 6.35	8.53	£ 6.17
<b>Northern Powergrid (NPg)</b>	6.50	£ 1.43	6.50	£ 1.46
<b>Scottish Power Energy Networks (SPEN)</b>	6.78	£ 1.94	6.28	£ 1.63
<b>Electricity North West Limited (ENWL)</b>	6.90	£ 0.98	6.38	£ 0.82
<b>UK Power Networks (UKPN)</b>	7.53	£ 4.04	7.53	£ 4.12
<b>Scottish and Southern Energy (SSEN)</b>	5.73	£ 1.13	5.23	£ 0.82

- 4.8. The scores in Table 4.1 indicate that most DNOs are delivering fair to good SECV outcomes for their customers, although some DNOs are performing better than others.<sup>108</sup> WPD, for example, received the highest score in both 2015-16 and 2016-17, while SSEN received the lowest score two years in a row. UKPN and NPg maintained their scores from 2015-17, and it is worth noting that to maintain a score requires improvements to have been made from one year to

<sup>105</sup> RIIO-ED1 is the electricity distribution price control which runs from 2015-2023.

<sup>106</sup> The financial reward is up to 0.5% of each DNO’s allowed base revenue.

<sup>107</sup> Ofgem (2016) Electricity Distribution Stakeholder Engagement and Consumer Vulnerability (SECV) Incentive Guidance

<sup>108</sup> Scores below five indicate weak performance, a score of five indicates average performance, scores between six and seven represent fair performance, eight represents good performance and nine and above demonstrates excellent performance. Any network company that scores 4 out of 10 or less does not receive a financial reward. Any network company that scores 9 out of 10 or above receives all of their financial reward. There is a straight line incentive rate between these two values.



the next. The majority of DNOs' scores, however, were lower in 2016-17 compared to 2015-16.

- 4.9. Overall, our expert panel found that there have been improvements in DNO performance in relation to consumer vulnerability. Since the introduction of the incentive, helping vulnerable consumers has consistently been included in the companies' strategic priorities, which are informed by stakeholder engagement. In addition, DNOs have demonstrated that they have a good understanding of how varied vulnerability can be, with companies expanding their PSRs as well as regularly updating their vulnerable customer data. DNOs have also displayed some innovative ideas and approaches to engaging with their stakeholders, including working collaboratively with other DNOs. Examples of good practice can be found in Table 4.2.
- 4.10. However, we consider that further improvements can be made. For example, in 2016-17, the panel highlighted that DNOs should work harder to identify their hard-to-reach stakeholders, as well as demonstrate how they engage with these groups. In addition, the panel found that some companies only presented consumer vulnerability activities related to the PSR. The scope of consumer vulnerability element of the incentive is not limited to the PSR, but covers a wide range of other activities. For example, we expect network companies to demonstrate that they have proactively identified and engaged with a range of stakeholders, not just consumers, to understand consumer vulnerability issues. We also expect the initiatives companies put in place to address these issues to be innovative and result in measurable benefits for vulnerable consumers.

## Gas

- 4.11. Under our current RIIIO gas distribution price control (RIIO-GD1), the GDNs are incentivised through the Stakeholder Engagement Incentive (SEI) to become more outward-facing and responsive to the needs of their stakeholders. The key aim of the SEI is to encourage the network companies to identify and engage with their stakeholders and use this to inform how they run and plan their businesses.
- 4.12. Unlike the DNOs' SECV incentive, the SEI does not have specific criteria relating to consumer vulnerability. However, we expect the GDNs to pay particular attention to stakeholders that represent the interests of vulnerable customers, and many of the stakeholder engagement activities have benefits to vulnerable consumers. Table 4.2 sets out some examples of initiatives the GDNs and DNOs have been rewarded for through the SEI and SECV.<sup>109</sup>

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<sup>109</sup> More information about the examples cited are available in the companies' submissions to the SEI and SECV. The DNOs entry forms to the SECV are available here: <https://www.ofgem.gov.uk/publications-and-updates/decision-stakeholder-engagement-and-consumer-vulnerability-incentive-2016-17-electricity-distribution>. The GDNs entry forms to the SEI are available here: <https://www.ofgem.gov.uk/publications-and-updates/decision-stakeholder-engagement-incentive-2016-17-transmission-and-gas-distribution>

**Table 4.2 Examples of initiatives rewarded through the SECV and SEI**

- The majority of distribution network companies have now developed stakeholder mapping tools to ensure they engage with relevant individuals and organisations at an appropriate level. An example of this is SSEN’s app that can identify and map vulnerability. It is used during power cuts and can forecast and target where extra help is most needed. It is able to prioritise improvements in areas with high numbers of vulnerable customers who are less resilient to outages. SSEN used this mapping tool when there was planned work at the transmission level, which meant that, in the event of a power outage, more than 10,000 customers would be off supply at the distribution level for 10+ hours. The map revealed that a large proportion of customers were on the PSR and therefore, ahead of the planned work, mobile generators were put in place to protect vulnerable customers should there be a fault.
- We have also seen some innovative approaches to engaging with vulnerable customers in the event of a blackout. WPD, for example, offers a two-way texting service to all its 98,000 deaf and hard of hearing customers and is now looking to extend this service to all customers. It allows easy immediate interaction between the company and customers. For example, customers can report a power cut and WPD will provide updates while the customer is off supply, including the expected time until restoration. Incoming texts are responded to immediately in the same way as an incoming call. All text conversations during outages are followed up to check the customer is back on supply.
- In 2016-17, WPD engaged with Dementia UK and MIND to provide its staff with specialist empathy training in order to improve engagement at first point of contact and identify warning signs of vulnerability. Another example comes from UKPN who worked with the National Autistic Society to co-design virtual reality training to give employees an insight into autism.
- As with supply companies, we have also seen an increase in partnerships between network companies and third parties to identify and deliver solutions for vulnerable consumers.
  - One example comes from Northern Gas Networks, who launched an annual £50,000 Community Promises fund in 2016 which offers small grants to community groups working with hard-to-reach and vulnerable people.
  - A further example comes from ENWL who, following Storm Desmond and Storm Eva in 2016, reinforced its contact with Lancashire Fire and Rescue to support affected customers across the region. This pilot scheme involved ENWL referring affected customers to Lancashire Fire and Rescue who undertook a welfare visit including a smoke alarm check and replenishment if necessary.
- We have seen more collaboration and partnerships develop between DNOs, GDNs and third parties in order to identify hard-to-reach stakeholders and promote PSR referrals. NPg and NGN, for example, have a data sharing arrangement in place whereby NPg provide NGN with its PSR customer information and in return NGN encourages its engineers and frontline staff to sign up vulnerable customers to the DNO’s PSR register. Similarly, SGN has data sharing arrangements in place with both SPEN and SSEN in order to promote PSR referrals.

## The Fuel Poor Network Extension Scheme

- 4.13. We created the Fuel Poor Network Extension Scheme (FPNES) as part of our gas distribution price controls (GDPCR1 and RIIO-GD1) to help off-grid households connect to the gas network by providing funding towards the cost of the connection.<sup>110</sup> Access to gas, a cost-effective fuel for heating, is a good way to ensure fuel poor households can access affordable energy supplies.
- 4.14. To get a gas connection under the FPNES, households need to meet the eligibility criteria set by us. In order to maximise the benefits of the FPNES, the criteria reflect commonly used proxies of fuel poverty or criteria employed by related measures and schemes. In December 2017, we changed the FPNES eligibility criteria to ensure that the scheme more effectively targets fuel poor households.<sup>111</sup> This helps to ensure that the households that benefit from the FPNES are more likely to also benefit from related assistance, which in turn helps to provide a comprehensive solution for those households.
- 4.15. In the first four years of RIIO-GD1, the GDNs have connected over 52,000 fuel poor households to the gas grid through the FPNES. Under RIIO-GD1, each GDN has a set target for the number of connections it should make under the FPNES by the end of the price control in 2021. The GDNs are broadly on track to meet these targets, which, if successful, will mean over 91,000 households will be connected to the gas grid through FPNES by 2021. See table 4.3 for further details.

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<sup>110</sup> GDPCR1 was the Gas Distribution Price Control Review (2008-2013). RIIO-GD1 is the current price control for the GDNs (2013-2021).

<sup>111</sup> We decided to remove the eligibility criterion for households which “reside within the 25% most deprived areas, as measured by the government’s Index of Multiple Deprivation (IMD)” because we didn’t think this was an effective proxy for fuel poverty. The other FPNES eligibility criteria remain in place and the change will take effect from 1 July 2018. For more information please see our decision document: <https://www.ofgem.gov.uk/publications-and-updates/decision-change-criteria-fuel-poor-network-extension-scheme>

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**Table 4.3 Number of fuel poor connections under the FPNES**

Number of fuel poor connections		Four-year cumulative (from April 2013 – March 2017)			RIIO-GD1 eight-year (until March 2021)		
		Commitment	Actual	% variance	Commitment	Forecast	% variance
Cadent	East of England	5,415	5,967	10.2%	12,046	12,200	1.3%
	London	1,380	1,119	(18.9%)	2,880	2,880	0.0%
	North West	6,710	6,664	(0.7%)	13,330	13,330	0.0%
	West Midlands	4,190	4,282	2.2%	8,360	8,500	1.7%
Northern Gas Networks		6,833	7,967	16.6%	14,500	14,598	0.7%
SGN	Scotland	7,943	14,364	80.8%	17,130	21,744	26.9%
	Southern	4,676	4,550	(2.7%)	10,367	10,390	0.2%
Wales & West Utilities		6,597	7,448	12.9%	12,590	12,590	0.0%
<b>Industry</b>		<b>43,744</b>	<b>52,361</b>	<b>19.7%</b>	<b>91,203</b>	<b>96,232</b>	<b>5.5%</b>

## The gas Discretionary Reward Scheme (DRS)

- 4.16. Within RIIO-GD1, there is also a gas DRS to incentivise the GDNs to undertake activities that help address a range of social, carbon monoxide safety and environmental issues. In RIIO-GD1, the gas DRS runs every three years, with a maximum reward of £12m available over the price control across the GDNs.
- 4.17. The last gas DRS took place in 2015 and rewarded the work the GDNs did over the first two years of the RIIO-GD1 period.<sup>112</sup> The next gas DRS will take place in summer 2018, where we will assess the GDNs' social, carbon monoxide safety and environmental activities undertaken between 2015 and 2018.

## Sharing learning between supply and network companies

- 4.18. This section of the report has highlighted some good practice examples from distribution network companies. Just as we would encourage distribution network companies to learn from suppliers' experiences in supporting vulnerable customers, we encourage suppliers to look at what network companies are doing and consider what they can learn for other parts of the energy industry. For example, the work distribution companies have done to map potentially vulnerable consumers could help suppliers proactively engage these consumers.

<sup>112</sup> Ofgem (2015) [Decision on RIIO-GD1 Gas Discretionary Reward Scheme 2013-15](#)

## 5. Next steps

- 5.1. This report highlights the wide variation in outcomes vulnerable consumers are experiencing in the market. We urge industry, and specific suppliers who scored poorly in certain areas to consider how they will improve. Particularly, we want suppliers to take advantage of the large amount of best practice examples already out there and invest adequately in support for vulnerable consumers.
- 5.2. We are publishing this report at a time of potential large-scale change in the retail market, such as the Government's price cap bill which is progressing through parliament. These changes mean an additional focus on consumers on default tariffs, a number of which could be vulnerable and we would expect suppliers to give extra attention to these consumers. Vulnerability can no longer be an add-on to customer service. It needs to be an integral part of the organisation and driven by the most senior levels in the organisation.
- 5.3. To make sure vulnerability stays at the forefront of suppliers' minds, we will be updating our Vulnerability Strategy in the coming year. We will also continue to monitor how well suppliers are delivering on their obligations to vulnerable consumers and we will act through compliance discussions or enforcement action where necessary.
- 5.4. In the coming year, we will also publish a consultation on changes to the Social Obligations Reporting framework. The proposed changes will make sure we capture the most important indicators while minimising the reporting burden.
- 5.5. We look forward to engaging with stakeholders on the findings of this report and how we can drive improved outcomes for consumers in vulnerable situations.

## Appendices

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## Appendix 1

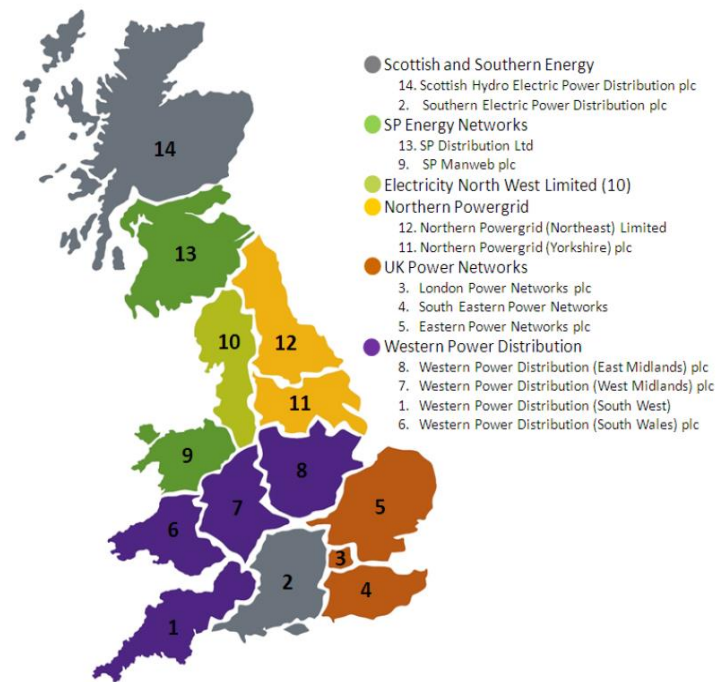
### Electricity distribution networks

There are 14 electricity distribution network operators (DNOs), each of which covers a separate geographical region of Great Britain. The DNOs are responsible for operating, maintaining and extending the electricity distribution network and for providing a reliable electricity supply to industrial, commercial and domestic users. The 14 DNOs are owned by six companies and are listed below in Table A.1. Figure A.1 maps the geographic areas covered by the DNOs.

**Table A.1**

Company	DNO abbreviation	Distribution Network Operator (DNO)
Western Power Distribution	WMID	Western Power Distribution (West Midlands) plc
	EMID	Western Power Distribution (East Midlands) plc
	SWALES	Western Power Distribution (South Wales) plc
	SWEST	Western Power Distribution (South West) plc
Electricity North West Limited	ENWL	Electricity North West Limited
Scottish Power Energy Networks	SPMW	SP Manweb plc
	SPD	SP Distribution plc
Northern Powergrid	NPgN	Northern Powergrid (Northeast) Limited
	NPgY	Northern Powergrid (Yorkshire) plc
Scottish and Southern Energy	SSEH	Scottish Hydro Electric Power Distribution plc
	SSES	Southern Electric Power Distribution plc
UK Power Networks	LPN	London Power Networks plc
	SPN	South Eastern Power Networks plc
	EPN	Eastern Power Networks plc

**Figure A.1**



### Gas distribution networks

There are eight gas distribution networks (GDNs), each of which covers a separate geographical region of Great Britain. The GDNs are responsible for operating, maintaining and extending the gas distribution network and for providing a 24-hour gas emergency service. The eight GDNs are listed below in Table A.2 together with the four companies that manage them. Figure A.2 maps the geographic areas covered by the GDNs.

**Table A.2**

Company	GDN abbreviation	Gas Distribution Network (GDN)
Cadent <sup>113</sup>	EoE	East of England
	Lon	North London
	NW	North West
	WM	West Midlands
Northern Gas Networks Limited	NGN	Northern
SGN	Sc	Scotland
	So	Southern
Wales & West Utilities Limited	WWU	Wales and West

**Figure A.2**



<sup>113</sup> National Grid Gas Distribution rebranded as Cadent on 1 May 2017, following National Grid selling its majority stake in the company.