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# Call for evidence regarding changes to PPM practices

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## Headline assessment

**Document:** [Ofgem](#)

**Consultation period:** 21/02/23 – 14/03/23

**Impact classification:** Medium: Domestic Suppliers, Consumers

**Action if desired:** Respond to the consultation

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7 March 2023

# 1. Assessment and recommendation

On [21 February](#), Ofgem issued a call for evidence on Prepayment Meter (PPM) rules and protections. This is due to reports of unacceptable supplier behaviour regarding the installation of PPMs under warrant, as well as the remote switching of customers to the PPM process. The regulator is looking to explore three key areas of the licence conditions and relevant guidance:

- Identification of vulnerabilities in consumers
- The PPM Safe and Reasonably Practicable rules and guidance
- The processes in place for installing or switching customers to PPM

We recommend domestic suppliers provide evidence to Ofgem relating to these three areas of focus; this will help to inform Ofgem when developing potential proposals to change regulatory obligations on suppliers and by extension, could impact the licence conditions. Responses are requested by 14 March 2023.

**Cornwall Insight comment:** *Given the seriousness of consumer detriment caused by some suppliers' PPM practices and behaviours, Ofgem has a duty to investigate and ensure customers safety and protection above all else and expand the regulations and guidance where necessary.*

## 2. Background

The focus on practices of PPM installation under warrant began earlier this year, when the Secretary for the new Department of Energy Security and Net Zero (DESNZ) Grant Shapps, wrote a [letter](#) to domestic suppliers calling on them to stop the “harmful and anxiety inducing practice of forcibly moving consumers over to PPMs without taking every step to support consumers in difficulty.” He also called for suppliers to voluntarily commit to stopping this practice as well as share the number of warrants they’ve applied for in recent months. In response, the Energy UK Chief Executive [stated](#) that the “fundamental problem” is the rising number of people struggling to afford to pay their bills and that if the option to install a PPM is removed then it “needs to be acknowledged that this will lead to a significant increase in bad debt”, which is ultimately recouped from all customer bills.

Ofgem’s CEO Jonathan Brearley also published a [statement](#) which pledged to “take forward a more detailed assessment to check whether plans have led to improvements.” This review will focus specifically on self-disconnections, remote switching and forced installations and, the checks and balances companies have around any decision to put a customer on a PPM. However, Brearley conceded that the regulator “does not have the legal power to completely ban the forced installations” of PPMs via the courts. A Market Compliance Review into PPM practices is currently being undertaken, after launching on [21 February](#), this review is looking at the licence conditions relevant to these areas of supplier behaviour.

## 3. What is Ofgem considering?

### 3.1. How can identification of vulnerability be improved?

After shifting to principles-based regulation in 2015, introducing the Standards of Conduct (SLC 0), Ofgem has attempted to maintain a balance between principles and prescription-based regulations for suppliers when considering how customers should be treated. Ofgem is now questioning if the hybrid approach remains fit for purpose, or if more should be introduced on one side or the other to help guide suppliers when installing or remote switching to PPMs. It is also considering if there should be more prescriptive processes and questions introduced that suppliers must seek to answer, before progressing to PPM in the debt journey. This would look at the definition of a vulnerable situation set out in the licence, and whether the guidance for the Standards of Conduct may need amending.

### 3.2. How is ‘safe and reasonably practicable’ interpreted?

Beyond the over-arching principles, SLCs 27 and 28 require suppliers to only install PPM if “safe and reasonably practicable”, with Ofgem’s updated guidance on this published in 2016. PPMs should not be installed or remotely switched without carrying out appropriate assessments, including identifying any relevant vulnerability. Ofgem is asking now if the term safe and reasonably practicable is still sufficient or should this be changed, and by extension, should the list of characteristics for vulnerable customers who should never have PPM force-fitted or (if on a smart meter) forced-remote switched be updated or changed. Ofgem has asked for suggestions of which additional characteristics should be included and why.

### 3.3. Should the disconnection and installation processes be reviewed?

Ofgem has asked if suppliers should be required to assess the financial vulnerability of an individual customer when determining if a PPM is safe and reasonably practicable to install. The regulator noted that in the current market, it may be appropriate to consider customers experiencing financial difficulty for protection from PPM conversion. Historically, Ofgem has not considered this vulnerability and has focussed on protections from PPM conversion on customers with vulnerabilities that would make self-disconnection unsafe or impracticable. The [guidance](#) was last updated in 2016 and currently covers characteristics ranging from the location of the meter itself to any mental or physical disabilities of the customer – should this be expanded?

The regulator also asks if the licence or guidance should more clearly clarify that installation of PPM under warrant is a last resort. While the current disconnection rules stress specific characteristics to be considered ahead of disconnection, for example if the customer is of pensionable age, it has asked if these characteristics are sufficient to account for the vulnerable circumstances being seen in presently.

### 3.4. How does smart metering come into play?

Another area of consideration for Ofgem is the rules for legacy and smart prepayment. It is assessing if these rules are appropriately aligned to ensure sufficient and equivalent protection, no matter the meter type a customer is on. If it is not, then what changes should be made?

The regulator has also pointed out that that suppliers are responsible for the acts of their contractors and their compliance with relevant licence conditions but has posed whether specific guidance for suppliers on how they manage third parties involved in the installation of PPMs should be introduced. Finally, it has asked for any further views on other proposals that would support PPM customers.

### 3.5. Should load limiting be introduced?

Views are also sought on further measures that could reduce the need for PPMs to be installed, such as load limiting. Load limiting would enable suppliers to set a customer’s smart meter to limit the amount of energy that can be drawn which would mean suppliers could limit debt without resorting to forced installation of PPMs. Ofgem outlines that one of the benefits of load limiting is that instead of complete self-disconnection, once a consumer has run out of credit (and any other emergency support provided), limited electricity service would remain. However, previous reviews of load limiting as an option did not progress through testing or trials, due to the functionality exposing consumers to ‘disconnection by the back door’ and lack of supplier development of plans or intent to utilise the functionality to its fullest. It was also only deemed practical for electricity usage likely making it an only partial solution in the case of dual fuel customers. Ofgem is specifically looking for evidence on how technically feasible this mechanism might be, and if suppliers may have considered load limiting before, would they still be in support of it now?

More widely, Ofgem is also considering how it might improve the drive for the PPM smart meter rollout, and whether there should be restrictions on warrant cost recovery for traditional PPM installations. When considering tariff levels, the regulator has also asked if efforts should be made to try and reduce or eliminate the gap between PPM and direct debit tariffs, having acknowledged that this is likely to result in non-PPM

tariffs rising slightly. In addition, the regulator has asked if there should be a requirement for suppliers to provide Prepayment Metering Interface Devices (PPMids) to consumers.

## 4. Next steps

Suppliers will have had to submit evidence related to the sections 3.1-3.4 detailed above by 7 March, with the deadline for evidence relating to the further measures under 3.5, such as a load limiting, requested by 14 March. The call for evidence will be followed up with a publication of the regulator's initial findings, and proposals for the next steps in late March 2023.

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