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# Ofgem's decision on protections for involuntary PPM customers

## Headline assessment

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# 1. Assessment and recommendation

On 13 September, Ofgem published its decision [confirming the introduction of further protections](#) for customers facing involuntary prepayment meter (PPM) installations.

These will be implemented through changes to the Standard Licence Conditions (SLCs) 26, 27 and 27A in the electricity and gas supply licences and introducing a 'combined' SLC 28. The regulator also confirmed changes to the Safe and Reasonably Practicable (S&RP) guidance, which suppliers will have to comply with to ensure they are meeting the requirements in the licence.

The modifications to the licence will take effect from 8 November 2023. We recommend that domestic suppliers prepare for the changes to the licence and consider the guidance alongside this.

*Cornwall Insight comment: Ofgem has moved quickly to implement these stronger, more granular requirements and expand the provisions within the Code of Practice. While this may add strain to supplier resourcing, the return of necessary installations allows for the use of PPMs as a debt management tool while continuing to protect the most vulnerable.*

## 2. Background

Following a [call for evidence](#) on prepayment rules and protections, Ofgem issued a voluntary [Code of Practice](#) (CoP) for involuntary PPM installations. All domestic suppliers signed up to this, with the regulator then [consulting](#) on codifying the requirements within the CoP into the licence, as well as placing more of the prescriptive elements of the requirements into the S&RP guidance. The decision now issued by Ofgem confirms many of the proposals that were discussed in the statutory consultation, which can be viewed in more detail in our previous Alert (see 05/07/23).

The responses to the statutory consultation were mixed: most consumer groups and charity respondents were in support of the proposals, in some cases saying the proposals did not go far enough. However, there were concerns raised by suppliers on specifics within the guidance, such as the characteristics used to set the criteria of the Do Not Install (DNI) category. Concerns were also raised around the cost of implementing these requirements, and the potential to increase bad debt costs. Having considered feedback from respondents, there have been changes to the statutory consultation proposals which are discussed within Section 3.

It was noted by Ofgem in its [press release](#) that the pause on involuntary PPM installations and remote switching to PPM will remain in place until suppliers are able to meet the pre-existing conditions set out by Ofgem, including: suppliers must conduct an internal audit to identify wrongfully installed involuntary PPMs and offer compensation and a return to a non-prepayment payment method to any affected customers; the suppliers' Boards attesting that the supplier is ready to restart involuntary PPMs in compliance with the Code, and that redress will be offered to wrongfully installed PPMs; if the PPM Market Compliance Review finds major concerns, the supplier in question will need to take corrective action before Ofgem would think it reasonable to restart; and finally that suppliers must provide regular monitoring data to Ofgem, so that concerning trends on involuntary PPM practices can be identified early.

## 3. Decision

Alongside its proposals from the statutory consultation, Ofgem confirmed further changes to be introduced:

- Within the S&RP guidance, there are two categories that a customer may be in when a supplier is considering the installation of an involuntary PPM. Under the DNI category, Ofgem has expanded the scope to include households with children under two, and those over the age of 75. This however removes the previous criteria being considered, which involved households with children under 5. This makes the full list of those in the DNI category:

- Households which require a continuous supply for health reasons, including dependence on powered medical equipment.
- Households where all occupants are aged 75 years and over (if there is no other support in the house).
- Households with children aged under 2 years old.
- Households with residents with severe health issues including terminal illnesses or those with a medical dependency on a warm home (for example due to illness such as emphysema, chronic bronchitis, sickle cell disease).
- Where there is no one within the household that has the ability to top up the meter due to physical or mental incapacity.
- The decision confirms that the Code of Practice will be put into the licence, with minor changes in language within the SLCs to specify that suppliers must comply with the guidance that has been issued alongside the SLCs.

Key parts of the S&RP guidance that were confirmed include that prior to a PPM being installed, a supplier must:

- Make at least 10 attempts to contact a customer before a prepayment meter is installed.
- Carry out a site welfare visit before a prepayment meter is installed.
- Audio or body cameras must be worn by the lead supplier representative present on all warrant installations or site welfare visits to check for vulnerabilities ahead of an involuntary installation or remote mode switch. All audio and footage will be available for audit and retained for a minimum of five years.
- Give a repayable £30 credit per meter (or equivalent non-disconnection period) on all warrant installations and remote switches as a short-term credit/measure to remove the risk of customers going off supply at the point of PPM meter installation.
- Re-assess the metering arrangement once a customer has repaid all debts owed. Suppliers must contact the customer to offer assessment of whether a PPM remains the most suitable and preferred payment method of choice for consumers; if any PPM customer is clear of debt and wishes to move off their PPM (understanding any changes in the tariff they will pay), the supplier must agree where the customer passes any required credit checks.

Some of the wider areas to note within the guidance include: the factors suppliers must consider when assessing installations; the proactive steps suppliers must take in order to identify a consumer's circumstances; and confirmation of the debt trigger being £200 per fuel of outstanding charges from a customer.

If no contact is made with the customer during the site welfare visit, and all engagement attempts have been exhausted, the supplier may then proceed with obtaining a relevant warrant; or proceed with remote mode switch. However, the supplier still has the requirement to:

- Make reasonable attempts to assess any potential vulnerabilities without customer engagement, seeking support from welfare officer in 'edge cases' – where the supplier considers a customer's circumstances may be on the boundary of safe and reasonably practicable for an installation – if not present.
- Provide further written communication that the visit had been attempted and next steps.

The guidance also details that suppliers must consider the cheapest payment option for the customer, noting that all reasonable steps must be taken to ensure that any debt repayments recovered via the PPM take into consideration the customer's ability to pay. Where any financial assessment concludes that the customer will be able to afford to pay for ongoing energy needs but not debt repayments, suppliers must consider alternative approaches to recovering the debt.

The regulator states in the guidance that suppliers should also install smart meters by default when installing under warrant. The reason for installing any non-smart meter should be recorded.

## 4. Next steps

The changes will take effect from 8 November 2023 to ensure these greater protections are in place ahead of winter. Ofgem noted that it will keep this decision under review, and should any unintended outcomes occur as a result of these changes, it will act to amend them quickly.

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