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Open Letter from Gemserv re: Ofgem Call for Action on Prepayment Meters

Gemserv is at the centre of the energy market, including having a vital role as Code Manager for the Retail Energy Code (REC), the Smart Energy Code (SEC) and the IGT UNC and as Chair for the Prepayment Metering Forum (PPMF).

As part of our REC Code Manager role, we have appointed a Customer Advocate Manager whose role is to ensure that the REC meets its key obligation of positive customer outcomes. In addition, we have recently been working with suppliers regarding their prepayment processes and codes of practices in Northern Ireland.

Through our Data Protection, Security & Risk practice, we help businesses gain the trust of their consumers in handling data and ensuring the United Kingdom's critical infrastructure, as necessary for the safe and secure roll-out of smart metering and



the transition to Net Zero. As such, we have a unique understanding of PPM and the impact on consumers.

We therefore see the:

- clear benefits of PPMs for disadvantaged households in managing their consumption and reducing debt and arrears, at least when installed transparently and with buy-in from the consumer; and
- issues and risks that need to be addressed within the industry.

We are therefore publishing this letter to all stakeholders and interested parties, outlining our thoughts with regard to Ofgem's areas of consideration, in order to contribute to the discussions around the change in regulatory approach to PPM.

Overall, we support the current licence obligations for PPM and do not think that these need to be significantly strengthened. However, there are issues that can and need to be addressed, which are outlined as follows and detailed further below. With our Code Manager and wider industry expertise, including our Customer Advocate Manager and position as Chair of the PPMF, we are able to assist with this review and use the PPMF for wider industry engagement.

1. The consumer should be at the *centre of everything* when it comes to the current regulatory approach to PPM. There are real concerns over whether Safe and Reasonably Practicable Guidance around PPM installations and switching goes far enough, especially when considering the age-old issue of meter location constraints.
2. There is a need to review the practical elements of Code of Practices to ensure that these are still fit-for-purpose, in light of developments since they were last drafted and reviewed. There is also a need for a review of best practice guidelines as guidance helps to steer suppliers, especially when following principle-based regulations.
3. Data is critical to the prepayment processes, both prior and after installation, and we should be taking the opportunity to review current data collection and how this can be used to safeguard Prepayment processes.
4. There is a role to be played by the Code Managers and Code Administrators in cross-code working and finding ways to both share best practice and make this easily available. This includes harnessing digitalisation tools, for example utilising the REC Portal and REC Wiki to host best practice guidance.
5. Load limiting is a valuable mechanism and should be a priority for exploration.
6. Successful and efficient smart meter rollout lessens the risk to customers when prepayment is force fitted. Suppliers should have to fit a smart meter as



the preference when force fitting in Prepayment mode. If this is not possible, the reason why should be provided.

These considerations are expanded upon below.

THE CONSUMER AT THE CENTRE OF EVERYTHING

It is clear to us that, for the rules and the protections for domestic consumers, the consumer outcomes need to be at the heart of everything; at the heart of the processes and at the heart of the business. It should not just be a 'tick box' at the end of a process, the consumer needs to be taken along the journey.

We need to consider that one size does not fit all. This is especially so with debt collection and vulnerable consumers. They need to be treated fairly and consumers at risk identified as soon as possible. With the increased numbers falling into the category of financially vulnerable, consumers who have never been in a debt situation may find the prepayment situation more challenging. This may be from a pride and status perspective, which is possibly a new experience for Data Collection Agents and Meter Installers, requiring further on-site guidance or training to deal with.

Consumers should be clearly informed about what is happening to their account, in plain English and in a way that is appropriate to the individual consumer. Due to the cost-of-living crisis, many consumers no longer have access to broadband. So, where there was previous email communication, this might not be received. Suppliers should therefore be trying various forms of contact to assist consumers before actions are taken on their accounts.

As the REC Code Manager, we have seen an increase in calls from consumers to our Service Desk that are concerned with their supply and do not know how or where to resolve their issues. We have been tracking this activity and, as a result, created a Consumer Hub on the REC Portal to offer advice and support. This includes information about help for vulnerable customers, financial assistance, smart meter installation and identification of current supplier. There is scope to extend this Consumer Hub.

If things go wrong, consumers should know where to go to access help and support and, if appropriate, future redress.

SAFE AND REASONABLY PRACTICABLE

Ofgem's guidance with regards to Safe and Reasonably Practicable Guidance highlights the need to consider a customer's circumstances prior to the offer or



installation of PPMs¹. We see a need for this to be reviewed. In particular, the requirements should be expanded to include a consideration of the privacy of energy consumers, and further requirements and guidance around the use of third parties, including debt collection agents. As detailed below, we also think the provision of data in this area should be reviewed, as this helps support that the installation was safe and practicable, and that it remains that way for the lifetime of the meter in prepayment mode.

Meter Location Issues

The Ofgem 2016 [letter on the Authority's decision to Modify the Safe and Reasonably Practicable Guidance](#) provides guidance with regards to location issues, as does Ofgem document 'Good Practise for Supporting Customers in Payment Difficulty'. Page 9 - 'Prepayment Meters' suggests 'When carrying out safe and reasonably practicable assessments'... 'It can extend beyond issues such as meter location'. There are existing Codes of Practice in electric and gas Network Operators and Meter Equipment Managers indicating there are restrictions on the height of incoming services and associated meter installations for new connections, not only new houses. There is similar guidance for when a meter installer is exchanging a 'credit' meter to a prepayment, taking into account the consumers vulnerability or where mental health issues have been highlighted to the meter installer, consumer or carer.

There are still many existing old housings stock where the service and meter are installed at height (for instance, above the front access door of Victorian terraced properties). And, due to the house also directly facing the public footway, the service and meter cannot be located in an external meter box and therefore a PPM is unsuitable.

The above are historical issues and have usually been addressed in previous Ofgem and supplier processes. However, the rise in consumers with financial vulnerability also means that this vulnerability is more dimensional. People who previously have not experienced debt, now fall into this category and therefore meter installers will have little experience in reporting and taking into consideration these vulnerabilities when installing a meter.

Privacy of One's Home

The installation of these PPMs without notice raises concerns, in particular where there is a vulnerable consumer and without apparent early warning. Any lack of sufficient transparency or advance notice of PPM installer's visits impacts the

¹ This includes "reviewing appropriate notes on the customer's accounts to ascertain whether any vulnerability which would mean it was not safe and reasonably practicable for the customer to have a Prepayment Meter is recorded" and "making multiple attempts to contact the customer by various means and at various times of day to discuss the option of paying through a Prepayment Meter".



individuals' right to privacy. The use of subcontractors, including debt collection agencies, can exacerbate this issue.

As such, Ofgem's guidance around "safe and reasonably practicable" should further include a requirement for suppliers to carry out an assessment when applying for a warrant to visit a premise to install a PPM.

Furthermore, Ofgem's guidance should include requirements for suppliers to ensure that instructions to subcontractors (including debt agents) are issued before any installation occurs. This should include controls on these third parties to confirm that notice has been provided to consumers in advance of the installation, as well as providing 'calling cards' during the visit to provide information as to the contractor's (i.e., debt collection agent's) purpose for the installation.

GUIDANCE REVIEW

We believe that it is necessary to review best practice, which should include Debt Path and other existing guidance such as the Disconnection Safety Net. This then ensures that a consumer is subject to a full joined up path. There are examples of best practice that could be shared, such as the 'moratorium principle'. Although we do not suggest a full moratorium for PPM fitting, it may be that some elements are useful e.g., a principle of no force fitting a no contact PPM when the outside temperature is below a certain point which helps to mitigate risk.

UTILISING DATA AS PART OF THE PREPAYMENT PROCESS

We believe that data is critical to the Prepayment process – both before and after the fitting of a PPM, and especially when it is force fitted without the customer engagement prior to installation. Robust reporting and analytics of data can inform and support the obligation for 'safe and reasonably practicable'. For example, through the following:

- Monitoring of Vend Patterns, the supplier can identify that a customer is both able to physically use a PPM by making a vend and that they are able to afford the prepayment amount (including debt) that are set on the meter. First vends after a force fit are essential to show that the customer is able to manage the meter. We would suggest an independent review of first vend data split by type of meter (smart or legacy), time of installation and debt path steps taken before a force fit. This would show any issues across the industry for the PPM force fit process and could form best practice guidelines.
- Reporting of Debt Setting: there is an opportunity to review rates set where there is no contact – arguably the riskiest of the debt setting rates. Suppliers typically have three rates: the base line lowest rate when they are aware of financial vulnerabilities; an agreed amount when they have spoken to the



customer; and a default amount when there has been no contact. This would provide transparency and visibility and inform best practice. However, there is a fine balance between getting this right for the consumer, without making it advantageous for them to choose to not engage with a supplier.

CROSS CODE COLLABORATION

As the Code Manager for both the REC, SEC and the chair of PPMF, we have a unique understanding of PPM and the impact on consumer. Currently, the REC Codes Roadmap has Prepayment as an area to review and we believe this work should be done in collaboration with Ofgem to ensure that any learnings are reflected. Findings from any best practice review may steer any changes in the area. Best practice has also been created via different codes and organisations, and there is an opportunity for reviewing where these best fit in the Codes landscape. We have previously worked with Energy UK, BEIS and Ofgem in facilitating cross-code discussions through the PPMF, a vehicle for which should be utilised again.

Digitalisation of Best Practice

We believe that the REC should adopt and own the best practice, which should be hosted on the REC Portal and REC Wiki. This is because these offer a strong digital service to REC Parties, who know the information is always available for them and can better be cross-referenced.

LOAD LIMITING

We believe that load limiting is a valuable mechanism and should be a priority for exploration. However, it requires a robust communication and education programme for consumers. This is so that they understand:

- what can be used to maintain the supply and how health supporting equipment may be impacted;
- how to deal with emergency situations, including an escalation communication process when there is a disconnection situation due to overloading; and
- if the current Demand Flexibility Service may provide useful data.

Through existing relationships with those parties involved and our own Data Analytics capabilities, we would welcome the opportunity to explore this further.

SMART METER ROLLOUT

The successful and efficient smart meter rollout lessens the risk to customers when prepayment is force fitted. As such, when it is necessary to force fit a PPM, suppliers should have to fit a smart meter in Prepayment mode. If this is not possible the



reason why should be provided. These reasons can then be assessed and addressed, if possible, to do so. Installation of smart meters in Prepayment mode assists both the rollout of smart meters and significantly reduces the risk to the customer.

In-Home Displays – the Drawbacks and Opportunities

Even when a smart meter in prepayment mode is installed, it is not unusual for the In-Home Displays (IHDs) to be confined to the consumers cupboard. This is because the consumer often sees this as an additional drain on their energy supply. Best Practice should include education for the consumer on how to use their IHD and the benefits of doing so.

IHDs are a useful capability when there is restriction of access to the meter due to consumer vulnerability. Previously, there have been trials by suppliers of Apps in place of the IHD –these should be pursued further, for consumers that wish to take advantage of this.

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