

1. Consultation process

Section summary

This section sets out what we are consulting on with regard to Involuntary PPM, and the background to the issues that have led to our proposals. It also informs stakeholders of the consultation process and how they can respond.

What are we consulting on?

- 1.2 We are consulting on how we integrate the requirements in the Involuntary PPM Code of Practice (the Code) agreed to by suppliers and published in April 2023 into electricity and gas standard supply licence conditions (SLCs).⁷ Our proposal is to combine licence conditions relating to PPM (28 and 28B) into one, SLC 28 and add relevant parts of the Code into this combined condition. We also propose additions and modifications to SLC 27A.
- 1.3 We are also proposing to update and expand the guidance on when it is not safe and reasonably practicable to install a PPM, reflecting the relevant prescriptive requirements in the Code.⁸
- 1.4 We expect all suppliers to have been following existing rules and taking compliance and enforcement actions to help ensure that they are. This work may result in some form of redress, compensation or penalty where consumers have PPM wrongly installed, although such payments are not the subject of this consultation.
- 1.5 This document is split into six sections:
 - Chapter 1: Consultation process;
 - Chapter 2: Background to the issues;
 - Chapter 3: Responses to Call for Evidence
 - Chapter 4: Code of Practice Integration: SLCs;
 - Chapter 5: Code of Practice Integration: Guidance; and
 - Chapter 6: Summary Impact Assessment.

⁷ Ofgem, 2023: [Involuntary PPM - Supplier Code of Practice | Ofgem](#)

⁸ Ofgem, 2016: [Authority's decision to Modify the Safe and Reasonably Practicable Guidance, pursuant to Standard Licence Condition 28.1B of the Electricity Supply Licence and the Gas Supply Licence | Ofgem](#)

Why are we consulting?

- 1.6 Prepayment meters are an important payment option. Millions of households choose them to pay for their energy, to help control their spending and avoid getting into debt. However, they are not suitable for everyone, and we have seen evidence suggesting that some suppliers have not treated customers fairly in accordance with the existing rules when moving them to PPM.
- 1.7 For example, in January 2023, we saw further allegations made about supplier PPM practices. We launched an investigation into British Gas and we also launched a Market Compliance Review (MCR) looking at PPM, which built on our previous MCRs on Customers in Payment Difficulty, and Vulnerability, from 2022.
- 1.8 The current high energy prices have resulted in consumers in vulnerable situations experiencing particular detriment, and this, coupled with poor supplier practices when many find themselves in debt and being forced onto PPMs, could cause considerable harm. As such, we agreed a temporary pause on involuntary PPM installations with suppliers. This was to allow us to review the rules on involuntary PPM.

The consultation process

- 1.9 To inform this review, we published a Call for Evidence on PPM rules and protections in February 2023.⁹
- 1.10 We consulted extensively with suppliers, consumer groups and charities on the issues and proposals for how we could enhance protections for consumers when suppliers are considering moving them to Involuntary PPM.
- 1.11 We held bilateral and group meetings with these stakeholders at working and senior level. This process of engagement led to the development of the Involuntary PPM Code of Practice which we published on 18 April 2023. We also published an accompanying letter to stakeholders setting out the rationale for introducing the Code and the five conditions suppliers would need to meet before restarting Involuntary PPM.¹⁰

How our proposals contribute to our objectives

- 1.12 These proposals will contribute to achieving the short-term priorities in our Forward Work Programme of 'setting, monitoring and enforcing quality and

⁹ Ofgem, 2023: [Prepayment rules and protections: a call for evidence | Ofgem](#)

¹⁰ Ofgem, 2023: [Letter to stakeholders accompanying PPM CoP announcement | Ofgem](#)

standards’ and the ‘vulnerable consumers’ objective under the ‘ensuring prices are fair’ short term priority.¹¹ They also contribute to the ‘quality and standards’ limb of our Consumer Interests Framework, which aims to ensure that ‘Customer services throughout the energy supply chain are accessible, transparent and responsive. Consumers are suitably empowered and protected from harm, with enhanced protections for the vulnerable’. In developing these proposals, we have considered how best to further protect the interests of existing and future customers and, as is set out in the rest of this document, had regard to the particular interests of those on low incomes and the financeability of suppliers.

Potential for proposals to add to bad debt and debt-related costs

- 1.13 We recognise that the proposals in this consultation, if implemented, may have an impact on the level of bad debt and debt-related costs faced by energy suppliers. That is because if the proposals lead to suppliers installing fewer PPMs to comply with the rules than was previously the case, or installing PPMs at a later stage than they previously would have, then it may lead to consumers building up more debt that cannot be repaid.
- 1.14 The impact is, however, inherently uncertain. It depends on macro-economic conditions including inflation and the cost of other essential goods and services; the cost of energy; and any changes in consumer behaviour. Given this uncertainty, we are using two alternative methods to calculate total potential impact of between £74m and £307m per year, or between £3 and £14 per household. Our current expectation is that the impact is towards the lower end of this range, in a central scenario. This projection compares against a current annual cost of bad debt of around £45 per dual fuel household.
- 1.15 We have also been gathering evidence on this as part of a wider review of debt-related costs, including through a Call for Input in April (CFI) published in April.¹² Given the data and evidence we have received so far, we consider that there is no evidence of a material or systematic gap between the allowance within the price cap for debt, and actual costs. However, we will continue to actively monitor and assess how the proposals impact debt in the following months. Where there is evidence of material and systematic changes to debt-related costs, we are committed to consulting on how suppliers should be able to recover any efficient additional costs that may occur from implementing our proposal.

¹¹ Ofgem, 2023: [2023/24 Forward Work Programme | Ofgem](#)

¹² Ofgem, 2023: [Price cap - Call for Input on the allowance for debt-related costs | Ofgem](#)

- 1.16 Nonetheless, we have a clear expectation that energy suppliers should use other mitigations in line with debt management best practice to try to reduce the likelihood of bad debt for customers who would otherwise have a PPM installed. We would expect them to do this rather than there being a presumption that all of the debt would automatically become unrecoverable.
- 1.17 In the meantime, we have also today published a statutory consultation on making a specific adjustment to the price cap for bad debt associated with Additional Support Credit (ASC) for PPM customers. We have seen significant evidence of a material increase in non-repayment of ASC offered by suppliers to PPM customers. This ASC is offered to customers at the point of self-disconnection, and these specific debt costs are not currently reflected in the price cap.

Consultation stages

- 1.18 The statutory consultation on the Code will close to responses on 26 July. We expect to conclude and publish our decision by winter 2023.
- 1.19 We want to hear from anyone interested in this consultation. Please send your response to the person or team named on this document's front page.
- 1.20 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- 1.21 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, data and confidentiality

- 1.22 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
- 1.23 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

- 1.24 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.
- 1.25 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

- 1.26 We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:
1. Do you have any comments about the overall process of this consultation?
 2. Do you have any comments about its tone and content?
 3. Was it easy to read and understand? Or could it have been better written?
 4. Were its conclusions balanced?
 5. Did it make reasoned recommendations for improvement?
 6. Any further comments?

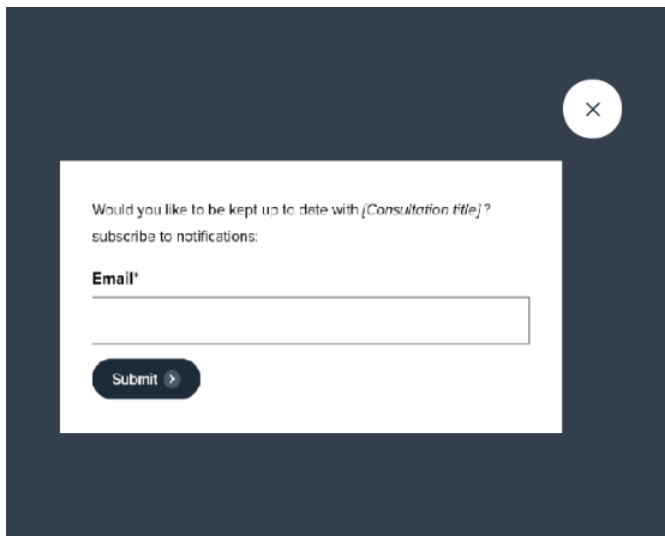
Please send any general feedback comments to stakeholders@ofgem.gov.uk

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