

60 Second Briefing: Pre-payment meters

Key points

- Even with the government's Energy Price Guarantee, energy bills have more than doubled since last year.
- Prepayment meters (PPMs) have been a way of helping customers monitor and budget their energy usage, but suppliers are aware of the challenges being faced by millions of customers right now.
- PPMs are also required to try and prevent indebted customers falling into arrears and negating any increase in bad debt having to ultimately be recouped through households' bills.
- Suppliers are conscious that this is an intervention into peoples' lives and, as such, there are a robust set of processes, regulations, and commitments in place.
- The ability to conduct an installation of a prepayment meter under warrant is currently legislated by the Rights of Entry (Gas and Electricity Boards) Act of 1954. As such, this method is a longstanding practice and one that is ultimately regulated by the government.
- All other options must be exhausted for suppliers to decide to proceed with warranted installations of prepayment meters. It is, therefore, a reluctant last resort for suppliers.
- The energy industry continues to go beyond the mandated levels of support. For example of this, please use this [link](#).

Protecting from self-disconnection and self-rationing

- PPM customers are more likely to be vulnerable and in fuel poverty, and they face the risk of going off-supply if they do not top up their meters.
- As such, in 2020, Ofgem introduced a package of measures to improve conditions for customers who go off-supply or self-disconnect as well as those who deliberately limit or self-ration their energy usage to pay for other goods and services.
- Under licence requirements following Ofgem's measures, suppliers must identify PPM (smart or traditional) customers who are self-disconnecting and offer short-term support through emergency and friendly-hours credit as well as offering additional support credit to PPM customers in vulnerable situations.
- Suppliers must also support all customers who are facing financial difficulties through the inclusion of updated Ability to pay principles in the supply licence, these are conditions that suppliers must consider when ascertaining customers' ability to pay in relation to debt repayments.

Energy UK's Vulnerability Commitment

- Over 80% of the retail market are signatories to our [Vulnerability Commitment](#) which replaced previous commitments such as the Safety Net and the Prepayment Meter Principles.
- It was developed in consultation with energy suppliers, consumer and charity groups, the energy regulator, as well as with vulnerable customers themselves to ensure its purpose and aims are clearly understood and relevant to their needs. Launched in 2021, each year an independent Chair works with an expert panel to assess each supplier's performance against the Vulnerability Commitment under the criteria of accessibility, collaboration, and innovation.
- One of the commitments of this that signatories must show they are committed to is "Take reasonable steps to alert prepayment customers of the risk of standing charge build-up during the summer and encourage them to keep their meters topped-up during this time."

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Appendix

Why do suppliers use PPMs?

- 15% of electricity and of 14% gas domestic customers use prepayment meters (PPMs) to pay for their household energy/electricity/gas (latest data Ofgem 2019).
- With a traditional PPM, the customer buys credit for a top-up key or card (often a local PayPoint or Post Office) and then loads the credit onto their meter. For a smart meter in prepayment setting, customers can still top up using a top-up card or key, but also have the option to top up online, via an app or on the phone.
- Smart meters in prepay mode also include a range of features that energy suppliers can use to protect vulnerable customers who are at risk of self-rationing or disconnecting. A deep dive into this published by Energy UK can be found [here](#).
- Suppliers can analyse data from customers on smart PPM to see if they are at risk before they reach the point of self-disconnection.
- Suppliers can switch a PPM to credit mode remotely if the customer has a vulnerability which would make it hard for them to use (such as cognitive decline, learning difficulties).

What benefit is a PPM to households?

- PPM users pay for their energy in advance. This means that for some customers, PPMs are a good way of managing their usage and their debt build up.
- Smart PPMs can provide real time usage data to customers, allowing them to become engaged in their usage and their bills.
- PPM customers can spread the cost of their energy, without the worry of a large, unexpected bill. This is particularly useful for people who have a weekly income and want to avoid a large monthly or quarterly bill.
- Credit customers who do not pay by direct debit (cash or cheque, paying on receipt of bill) spend more than those on PPM for their energy – around £156 per annum on average. The Ofgem Pay As You Go Price Cap is lower than the cap for standard credit customers. There is also the risk of debt build up when paying in this way.
- A large proportion of households on PPM choose for this rather than being forced due to debt due to these reasons.
- PPMs also allow customers who have built up debt to pay this back in agreed fixed instalments.

How are Ofgem and suppliers protecting households?

- Energy suppliers are required to offer emergency support if a customer is unable to top up their meter.
- This includes emergency credit if a customer's meter runs low or out, 'friendly hours' credit if top-up points are closed and their meter is running low (overnight, weekends and on public holidays), extra support credit if they are in a vulnerable situation and have few options to pay.
- Extra support credit will also be available while the customer is in a vulnerable situation.
- This credit will need to be repaid when the next top up takes place, and these can be agreed in arrangements with a payment plan.
- Suppliers should always check if it is safe, practical, and easy to use for customers before installing a PPM, or remote switching a meter to smart prepayment.