

**Citizens Advice response  
to Prepayment  
self-disconnection &  
self-rationing  
CALL FOR EVIDENCE**

**December 2018**



## Overview

Citizens Advice welcomes the opportunity to respond to this call for evidence on self-disconnection and self-rationing. This submission was compiled with the input and help of the Extra Help Unit.

This policy issue has been a priority for Citizens Advice and the Extra Help Unit for some time. Our recent survey<sup>1</sup> showed that in four years since the last one<sup>2</sup>, there has been relatively little progress on this issue with 16% of prepayment customers still self-disconnecting at least once a year.

Within this we estimate that around 140,000 households are going without energy because they cannot afford to top-up their prepayment meter (PPM). When we looked who was in this group, the one facing the biggest barriers to staying on supply, we found that 88% of these households contained a child or someone with a long term health condition, with 50% reporting mental health issues. A fair society and a properly functioning energy market should be guaranteeing these people a reliable energy supply, rather than being left in cold, dark homes. Our survey didn't cover self-rationing but we know from the cases we help with that there are many people who will reduce their energy usage without actually going off supply when they are worried about affordability.

The Extra Help Unit's case work highlights that there can be big differences in how suppliers respond to those who are off supply. Some newer companies are either difficult to contact by phone in the first place or are initially surprised by the expectation that they provide some temporary credit to help keep people on supply. The vast majority of suppliers will supply some form of discretionary credit when requested although some of these will apply arbitrary limits to requests, even if previous credit has been paid off. The good practice we see involves using specially trained staff to make a judgement about the best way forward based on an understanding of the customer's circumstances. This might be further discretionary credit, a voucher (supported by recent changes to warm home discount), moving the household back onto a credit arrangement or referring them onto other support such as debt or energy efficiency advice.

However the considerable improvements in the support offer in recent years will only be effective if people are prepared to ask their supplier for help. Our research found just 9% of people who could not afford to top-up their meter had asked their supplier for help. It is clear there is much work to do from all in the

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<sup>1</sup> Citizens Advice, [Switched On](#), February 2018

<sup>2</sup> Citizens Advice, [Topping up dropping out](#), October 2014

industry to persuade people that their supplier will offer support if they are struggling to pay for their energy. It is also clear that, given the vast majority of people without enough money to top-up are on benefits, the Department for Work and Pensions (DWP) is a stakeholder with a central role in supporting people to stay on supply.

Finally, although smart meters come with some of their own operational limitations in the switching process, the technology offers huge potential improvements to both the user experience and the support offer for prepayment customers. Online top-ups with alerts and reminders will remove many of the practical problems associated with traditional prepayment meters. Information on usage should allow suppliers to identify who needs help and tailor that support accordingly. We must be clear at this early stage of the transition that a smarter future energy market cannot be one where vulnerable households do not have a reliable energy supply to their homes on the scale we are currently seeing.

## Questions

**Q1: Are there any categories that we have not captured in Table 1? We welcome views and evidence on the main causes of self-disconnection and groups of customers who are more likely to self-disconnect and experience detriment.**

The table in the document covers the main causes of self-disconnection. The survey we conducted last winter found that forgetfulness - not realising the meter was running low - was the most common reason for running out of credit. 58% of those who had self-disconnected cited this as a reason for at least one occasion of disconnection. 56% of people who self-disconnected cited an operational reason such as not being able to get to the shop or equipment being faulty. 21% disconnected for an affordability reason, such as benefits being stopped or waiting for payday.

It is also important to consider more detailed causes behind the categories in the consultation document. This mentions having debt on the prepayment meter as one the reasons for topping up to be unaffordable. The data from our survey shows that people with debt on their meter are three times more likely to disconnect than others - 41% of people who had their PPM set to collect a debt had self-disconnected in 2017, compared to 13% of other PPM consumers.

It is also worth considering that affordability issues may lie beneath some of the other categories, as well as problems faced by those who are not actually self-disconnecting. Someone with a low or insecure income is likely to top-up more sporadically - or do so more frequently with lower top-ups - and therefore have less credit at any given time.

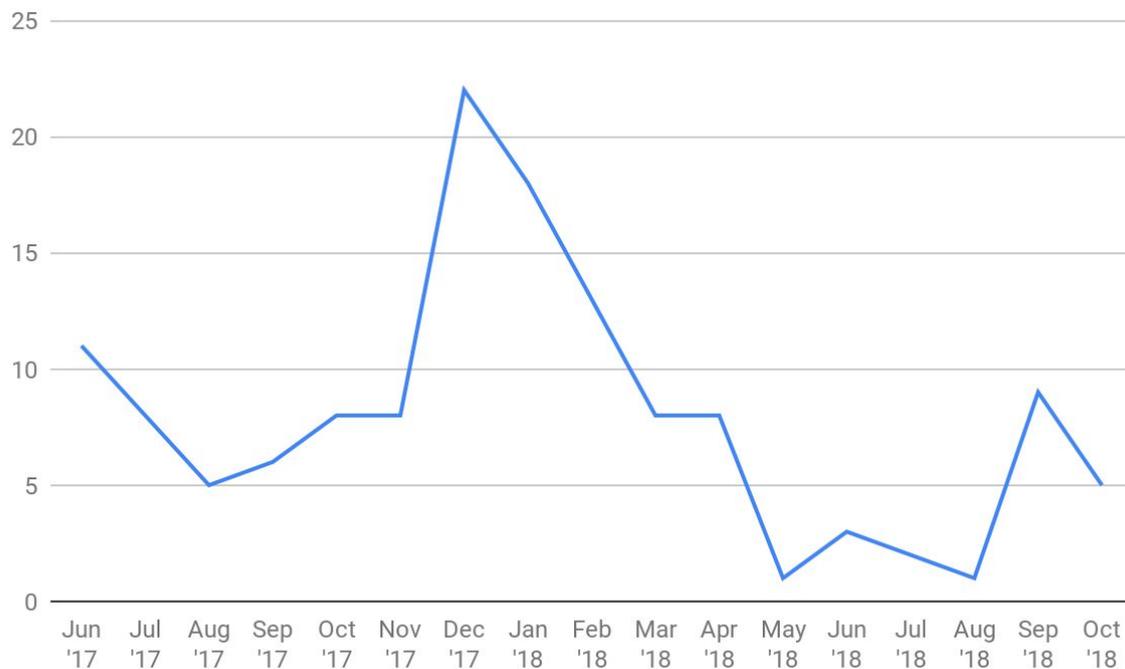
This makes them more susceptible to problems with the meter running out unexpectedly or top-up equipment not working. For instance while 16% of people with a PPM reported self-disconnecting, 50% said keeping the meter topped up was a major concern in their daily life.

Another important factor is seasonality and weather events. Colder temperatures drive up energy demand, and make it more likely for households to self-disconnect. The caseload data for this issue, from both consumer service and our local offices (see figure 3 below) shows seasonal variation, with both channels also showing peaks in March 2018 during the period of particularly cold weather referred to as the “Beast from the East”.

Smart meters offer an important opportunity to mitigate many of the operational and practical challenges to staying on supply with a prepayment meter. By allowing top-ups and accounts to be managed online, the need to get down to a shop when the credit runs out should be removed for many people.

However with the smart PPM market still in its infancy, we have noticed some cases where the new technology has caused a new set of problems when people switch. Unlike traditional prepayment metering, a consumer’s credit is wiped and their old keycard stops working immediately. This has led to people being left without credit or a means to top-up. We have also seen examples of people experiencing problems topping up after switching. We find these issues tend to peak during times of high levels of switching and activity in the smart PPM market. Since smart PPM to smart PPM switching activity is projected to increase significantly once fully interoperable smart meters have become the norm, it is possible this problem could become more widespread. Industry has taken some steps to tackle this issue, through the smart prepayment principles, although these are voluntary. Ofgem’s proposed new Guaranteed Standard for final credit refunds should also further incentivise suppliers to refund consumer’s credit soon after their switch is completed. However, more steps may be required to ensure that consumers are able to switch safely and confidently.

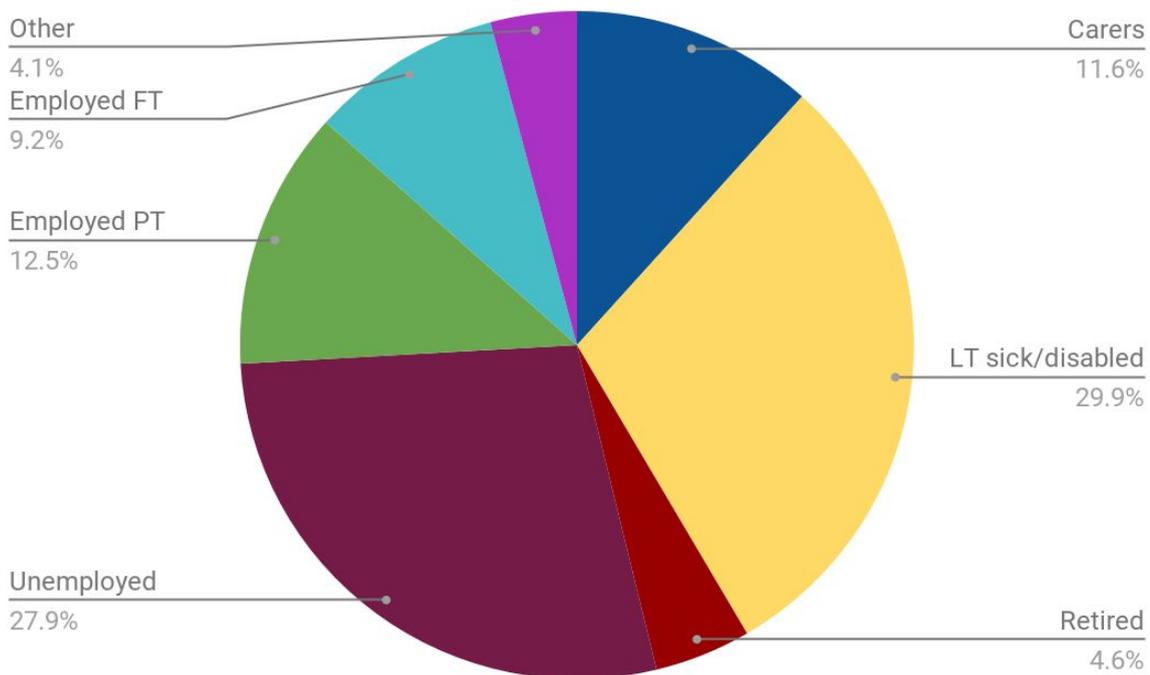
**Figure 1. Smart PPM switching issues handled by consumer service**



Our research also shows that certain groups are far more likely to be affected by self-disconnection than others. In fact, people that are more likely to suffer serious consequences of having no energy supply are also more likely to find themselves in that situation. Our survey showed 88% of people who could not afford to top-up their PPM in the last year had children or someone with a long term illness in the household. Half of households going without energy for affordability reasons contained someone with mental health issues.

Analysis of local Citizens Advice self-disconnection cases shows a significant proportion (30%) of cases affect people whose ill health prevents them from working, with a similar proportion (28%) for those who are unemployed.

**Figure 2. Local office self-disconnection cases from June 2017 to November 2018 by employment type.**



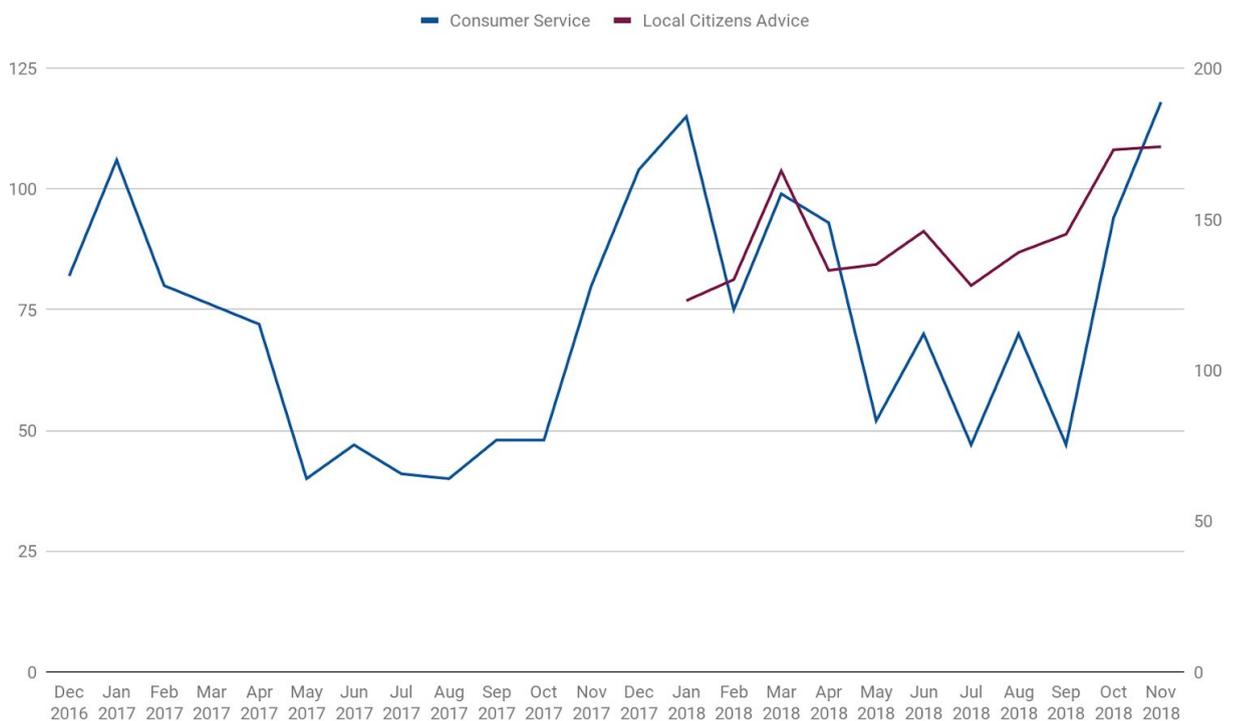
**Q2: We seek views and evidence on how self-disconnection and self-rationing is being monitored for customers on traditional PPMs. We welcome views on how effective current practices are.**

One of the major obstacles in tackling this problem has been the inability to monitor how much it is happening and to whom. Unless they are contacted directly by the consumer, the only indication suppliers have is either the failure to vend (usually acting a month after the last vend) or a notification that emergency credit has been used the next time someone tops up. It is clear that these methods do not provide an accurate means either of judging the extent of the problem or, more importantly, getting help to people when they need it. The situation is even more difficult for self-rationing. As far as we are aware there is no supplier currently attempting to monitor self-rationing so this behaviour could only be detected by people reporting it themselves.

In recent years Citizens Advice have used two main ways to monitor the level of self-disconnection. We have conducted two omnibus surveys on self-disconnection - one in 2014 and one earlier this year. Both returned the same level of self-disconnection - 16% of households with a PPM in the last year.

We also monitor our caseload figures (see below). We have monitored cases going to the consumer service for some time. Since local Citizens Advice migrated to a new case management system we have been able to monitor self-disconnection cases through our local offices as well.

**Figure 3. Self-disconnection cases taken by consumer service and local offices**



Only real-time information about people’s credit levels can allow suppliers to support people exactly when they need it. For traditional metering this requires the consumer to contact their supplier - although our research shows that people are reluctant to do this. Just 9% of people who could not afford to top-up their PPM had contacted their supplier for help.

For this reason it is absolutely essential that the industry takes the opportunity offered by smart meter data to identify someone who is self-disconnecting or self-rationing, and provide targeted support in response. It is not an entirely straightforward task and careful thought needs to be given to the nature and methods of outbound contact to someone who appears to self-disconnecting or rationing their energy use. However the use of smart data for this purpose will

be important for establishing prepayment as a safe and socially acceptable payment method for the future.

**Q3: We seek evidence of examples where PPM customers were at risk of self-disconnection or who self-disconnected for affordability and/or operational and/or forgetfulness reasons, the impact on these customers, and how the situation was resolved.**

The Extra Help Unit have provided a number of useful examples of the situations people find themselves in, the impact it has and resolutions that were reached.

#### EHU Case Study 1

The consumer had diabetes and a 5 year old child living in the household. He had recently switched supplier but had not received payment devices. He had been unable to get through to the supplier by phone and was off supply for both gas and electricity. He had been referred to the EHU on 28 December. The gas had gone off the day before and the electricity had gone off that morning. The supplier contacted the consumer and added credit to the meters. New payment cards were requested and a link was emailed to the consumer to enable him to top up online.

#### EHU Case Study 2

The consumer had recently returned home from hospital having received treatment for anxiety and other mental health conditions. He lived alone and had no money or food. He had been to his local Citizens Advice office but had found food banks in his area were not open that day. He only had £2 credit on his electricity prepayment meter. There was no debt being recovered from the meter. In this case, the supplier in question confirmed he still had access to a £15 friendly credit facility on the electric meter so he would not lose supply when the £2 credit ran out. They explained to the consumer how to access this on the meter.

#### EHU Case Study 3

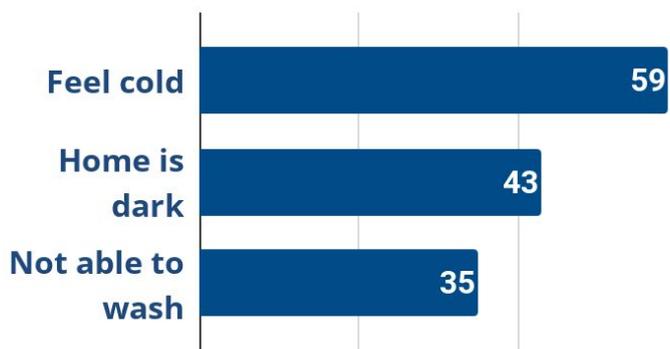
The consumer had no top up devices following a force fitted prepayment meter last week. She contacted her supplier for help and they advised they

would not assist her. She had a 6 month old child and she did not want to use her electricity for fear of going off supply so she had to go to her neighbour's house to sterilise her bottles.

These examples show how helpless people can feel when they no longer have access to an energy supply in their homes and the serious consequences it can have, particularly for those already at greater risk of detriment due to age, ill health or financial problems. This last case shows how people's lives can be impacted when they are reducing their usage but not going off supply.

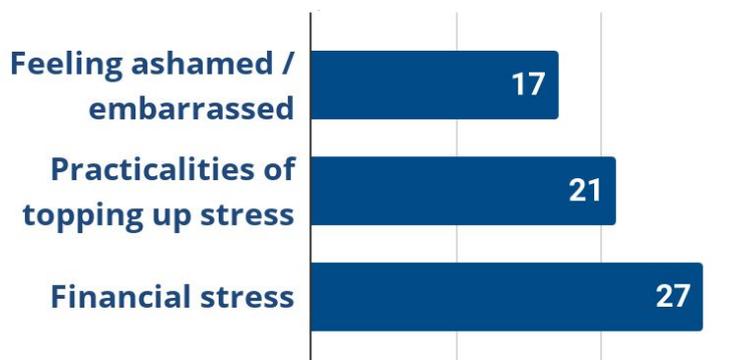
In our research we found half of those who self-disconnected (for whatever reason) cited negative impacts on their physical and emotional well-being. Figures 4 and 5 below show the most prevalent impacts.

**Figure 4. Physical impacts of self-disconnection**



*Base: All those reporting any negative impact of self-disconnection*

**Figure 5. Emotional impacts of self-disconnection**



*Base: All those reporting any negative impact of self-disconnection*

Together with the case studies, these charts paint a picture of hundreds of thousands of households being left in cold, dark homes and feeling significant stress and in some cases, shame about their situation.

**Q4: We seek views on what great support service looks like for customers at risk of self-disconnection or who self-disconnect. We welcome examples of supplier good practice in dealing with self-disconnection and self-rationing.**

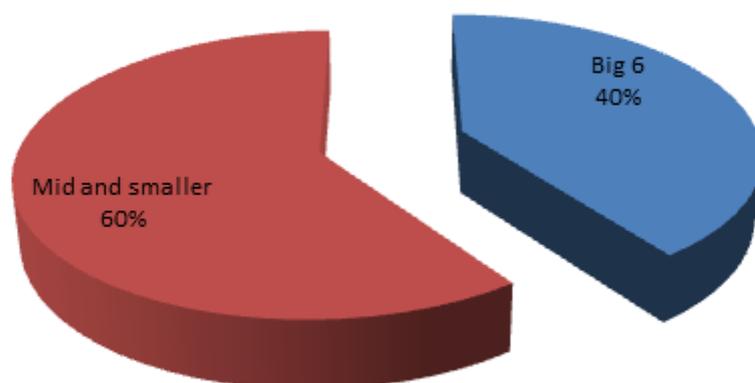
**Q5: We welcome views from all stakeholders on the emergency, friendly, and discretionary credit functions. How well do you think these features work?**

**Q6: We welcome examples of any recent good practice examples on steps taken to provide sustainable support to PPM customers who self-disconnect and/or self-ration.**

The Extra Help Unit handle all self-disconnection cases that come through the consumer service. The unit investigate each issue and advocate on behalf of the consumer with the supplier. They also help with cases where the consumer is self-rationing (see case study 3 above) but it can be less clear when this is happening.

They find significant variation in the levels of support offered by suppliers and while not always the case, they find the support offer for self-disconnection often takes some time to develop within a supplier. This means they deal with proportionally more cases from smaller/newer suppliers than more established ones. Figure 6 illustrates this pattern clearly. While we do not have prepayment market share figures, the Big 6 suppliers hold 77% of the electricity market as a whole, with others covering 23%. It is likely these suppliers hold a comparable or bigger share of the prepayment market, but even on these figures customers of mid and smaller sized suppliers are five times more likely to need the help of the EHU with self-disconnection.

**Figure 6. EHU self-disconnection cases by supplier size**



*Based on EHU analysis of cases in Winter 2017/18*

In the experience of the EHU there are different levels of support offered by different suppliers. As case study 1 above shows, the lack of ability to contact a supplier by phone in a crisis situation is a very basic initial hurdle. We have seen some early cases of people being in this situation with suppliers who operate an app only business model. We are concerned about the impact on vulnerable consumers where this model entails no option to contact a supplier by phone, even in cases where people are off supply. We have outlined our concerns in more detail in a recent blog.<sup>3</sup>

It is clear that the provision of some form of discretionary credit is the best immediate remedy to a situation where people do not have credit on their meter. This credit is normally paid back through future top-ups. The EHU find this resolves the vast majority of cases they handle. Some new suppliers are not aware of the expectations to provide discretionary credit and others will seek to impose arbitrary limits on multiple requests.

While it is important to prevent a consumer from falling further into debt we find the good practice in this area responds to multiple requests from an individual consumer in two ways. First by having a specialist team that can get a better understanding of the consumer's situation and make judgements about further discretionary credit on a case by case basis. But also ensuring suppliers are able to recognise where a consumer needs more holistic support.

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<sup>3</sup> Citizens Advice, [Why energy suppliers need to keep their customer phone services](#), Dec 2018

Self-disconnection is not an isolated problem and cannot be tackled in isolation. There are many immediate reasons why people self-disconnect. They include low income, financial insecurity and debt. There are also many underlying reasons that make self-disconnection more likely. These include poor energy efficiency and low financial capability. Addressing them can help people avoid self-disconnection. Holistic support for PPM users involves understanding these interrelated issues and addressing them in a way that helps people stay on supply and adequately heat their home.

We conducted research with advisers and clients into what good holistic support looks like<sup>4</sup>. Our research found that holistic support for PPM users has 4 key features.

**It complements crisis support.** Consumers who have self-disconnected and are unable to top up their meter need access to emergency fuel credit. This might include:

- discretionary top ups from their energy supplier
- fuel vouchers from charitable schemes
- help from local welfare schemes in England, the Welsh Discretionary Assistance Fund or the Scottish Welfare Fund
- hardship payments from the Job Centre

**It can be proactive or reactive**

A tailored package of support for PPM users who self-disconnect can be reactive or proactive. Reactive support is provided when a consumer presents to an organisation as having self-disconnected. Proactive support is delivered as a preventative measure to avoid self-disconnection. Organisations need to find the right combination of proactive and reactive support in order to help PPM users stay on supply.

**It is tailored to each individual**

The right package of support depends on each individual, the reasons why they have self-disconnected and what other problems they are experiencing. It is important to explore options with the client and find out what's best for them. In addition, PPM users are more likely to be vulnerable and may need additional support to resolve their problems.

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<sup>4</sup> Citizens Advice, [Good practice guide - holistic support](#), September 2017

In particular, organisations should make sure they are responding effectively to the needs of people with mental health problems.<sup>5</sup> Our advisers do this by:

- breaking problems down into manageable chunks
- taking more time for these clients
- giving clear explanations

We also recommend guidance from the Money Advice Trust on identifying and supporting customers with mental health problems or mental capacity limitations.<sup>6</sup>

Our research identified a number of key areas with which PPM users who self-disconnect may need help and support. It also identified ways in which these support areas can be tailored specifically to PPM users. These are set out in detail in the sections below.

**Figure 7. Overview of good practice areas**

Support area	Good practice
Benefits and income	<ul style="list-style-type: none"> <li>• Resolving benefits problems</li> <li>• Income maximisation</li> </ul>
Debt	<ul style="list-style-type: none"> <li>• Help with PPM debt</li> <li>• Help with wider debts</li> </ul>
Energy efficiency	<ul style="list-style-type: none"> <li>• Behavioural advice</li> <li>• Home improvements</li> </ul>
Managing a PPM	<ul style="list-style-type: none"> <li>• Budgeting on a PPM</li> <li>• Understanding the PPM</li> </ul>
Alternative payment methods	<ul style="list-style-type: none"> <li>• Safe and reasonably practicable</li> <li>• Debt repayment options</li> <li>• Making it easier to manage money</li> <li>• Accessing cheaper tariffs</li> </ul>

An overall barrier to any kind of support is the willingness of people to contact their supplier to ask for it. As mentioned above, smart meter data could help bring support closer to people in the future but with just 9% of consumers who cannot afford to top-up going to their supplier for help, it is clear more needs to be done to encourage people to do so.

<sup>5</sup> Citizens Advice, [Joining the dots](#), October 2017.

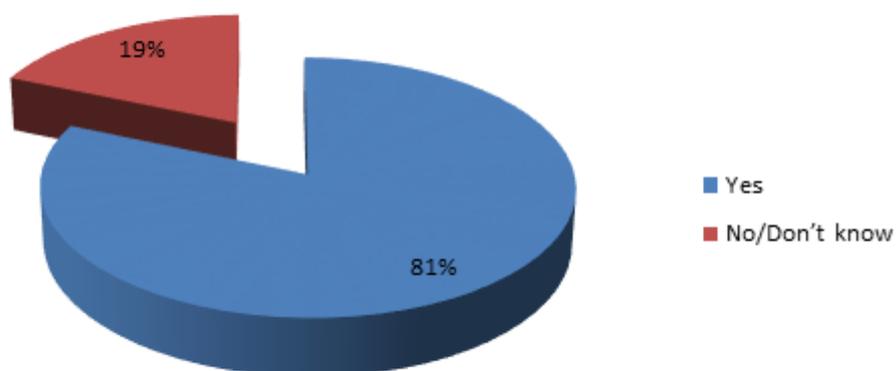
<sup>6</sup> Money Advice Trust, [Vulnerability, mental health and the energy sector](#), October 2017.

**Q7: We welcome views on how you perceive the collaboration between stakeholders should operate and what type of organisations you believe will play a central role in this process.**

Sustainable support draws on many different areas of expertise including debt, financial capability and energy. Energy suppliers may not be able to provide all of this support in-house and often work with referral partners to make sure PPM customers get the holistic support they need.<sup>7</sup> Similarly, housing associations may be well-placed to provide tenants with energy efficiency advice but may prefer to work with partners to deliver other elements of support. Citizens Advice works with a range of local and national partners to deliver holistic advice and support through our network of local offices.

We also think it is important to look at what other agencies are already supporting the people that are self-disconnecting. A major stakeholder in this regard is the DWP. The EHU found that 81% of the self-disconnection cases received in Winter 2017/18 involved someone on benefits. Our survey found very similar levels with 87% of those who could not afford to top up their PPM claiming some form of benefit.

**Figure 8. EHU self-disconnection cases - in receipt of benefits.**



*Based on EHU analysis of cases in Winter 2017/18*

The DWP already play a role in helping suppliers to support those low incomes - offering a Fuel Direct facility and data-matching for pension credit customer who qualify for the Warm Home Discount. However it is clear that, as the single agency in contact with the vast majority of people experiencing

<sup>7</sup> Citizens Advice, [Good practice guide: How energy suppliers can signpost and refer vulnerable consumers to the right source of help](#), January 2017.

self-disconnection they will have a central and vital role to play in providing the holistic support that many of the consumers in this situation will need. This could be in the form of taking referrals for budgeting or emergency support, a smoother Fuel Direct system or providing information about benefit status.