

# Citizens Advice Scotland's response to Ofgem's proposal to extend protections for non-E7 restricted meter customers (SLC22G)

## October 2020

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### Who we are

Scotland's Citizens Advice network empowers people in every corner of Scotland through our local Bureaux, Helpline and Extra Help Unit by providing free, confidential and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.

### Background

Citizens Advice Scotland (CAS) welcomes the opportunity to respond to Ofgem's statutory consultation on extending protections for non-Economy 7 (E7) restricted meter customers<sup>1</sup>. With electricity the most common off-gas heating fuel in Scotland, these complex metering arrangements are found in significant numbers across both of the Scottish electricity distribution network licence areas. Issues linked to restricted metering infrastructure have therefore been of particular interest to CAS for a number of years. Our advocacy on behalf of consumers in Scotland with non-E7 restricted meters is informed by of the evidence from our bureau network, where issues of consumer detriment and problems with market access are commonly reported.

In 2018, we published our *Hard-Wired Problems* report<sup>2</sup>. This explored the experience of electric heating users in Scotland and considered how services to these households could be most effectively delivered. CAS is undertaking further work in this area in 2020/21.

The CMA's Energy Market Investigation (EMI) found that households on non-E7 restricted meters faced real and perceived barriers to switching<sup>3</sup>. The resulting market intervention (the Restricted Meter Remedy)<sup>4</sup> was implemented by Ofgem through the inclusion of standard licence condition 22G (SLC22G) in the electricity supply licence code; this obligated all electricity suppliers with more than 50,000 domestic customers to make available all of their single rate tariffs to consumers with Relevant Restricted Metering Infrastructure from 1 September 2017, without such an offer being contingent upon a meter exchange. It also formalised how suppliers should communicate this information to consumers.

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<sup>1</sup> Ofgem (2020): [Statutory consultation: Extending protections for non-E7 restricted meter customers \(SLC22G\)](#)

<sup>2</sup> CAS (2018): [Hard-Wired Problems](#)

<sup>3</sup> CMA (2016): [Energy Market Investigation Final Report](#)

<sup>4</sup> CMA (2016): [Energy Market Investigation \(Restricted Meters\) Order 2016](#)

CAS agreed with the CMA's assessment of the conditions for competition for consumers with non-E7 restricted meters, but we have reservations about how well their chosen intervention has delivered on the policy intention. Despite predictions that 80% of consumers in Scotland would pay less on the market's cheapest single rate tariff<sup>5</sup>, switching rates among consumers with RRMI appear to remain low, and there are significant gaps in the protections afforded by the Restricted Meter Remedy. As a result, 43% of households in Scotland that use electricity as the primary source of heating remain in fuel poverty<sup>6</sup>, and many consumers in Scotland with non-E7 restricted meters continue to pay amongst the highest electricity prices in Great Britain<sup>7</sup>.

## Executive Summary

CAS **strongly supports the extension** of SLC22G, which is due to expire on 31 December 2020. Smart meters have long been identified as the most cost-effective solution to the market access issues faced by consumers with non-E7 restricted meters, and in the absence of a significant improvement in the conditions for competition since the CMA's 2016 EMI, delays to their rollout mean that there is a need for continued protection for consumers with non-E7 restricted meters through the licence code.

Ofgem has proposed extending the existing protections for non-E7 restricted meter customers in line with the BEIS post-2020 smart meter framework<sup>8</sup>, with provision to further extend the protections if necessary. The post-2020 smart meter framework is a four-year framework which recognises the potential impact of the COVID-19 pandemic on smart meter installation rates. This results in a smart meter framework which extends to 30 June 2025, but which is yet to set the minimum level of smart meter coverage to be achieved by this date. In this context, CAS supports the proposal to maintain protections for consumers with non-E7 restricted meters. However, we believe that having no specified end-date would be preferable to adopting further sunset clauses linked to the rollout.

CAS recognises the condensed timeframes to which Ofgem has been working to ensure ongoing protections for consumers with non-E7 restricted meters beyond the end of 2020, and limited scope in the statutory consultation process to introduce substantial changes at this stage. However, we believe there are further points, in addition to the extension of the remedy, which merit consideration. Therefore, as regards extending protections for non-E7 restricted meter customers (SLC22G), CAS recommends that Ofgem should:

1. Extend the remedy without a fixed end-date, to allow Ofgem to revisit existing interventions if evidence suggests that they are no longer meeting the needs of consumers with non-E7 restricted meters.
2. Clarify the expectations on obligated suppliers in terms of messaging and communication with prospective and existing customers with non-E7 restricted meters.

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<sup>5</sup> CMA (2016): [Energy Market Investigation Final Report, Appendix 9.5](#)

<sup>6</sup> Scottish House Condition Survey (2020): [2018 Key Findings](#)

<sup>7</sup> Changeworks (2020): [Supporting consumers on restricted meters in Northern Scotland](#)

<sup>8</sup> BEIS (2020): [Smart meter policy framework post 2020](#)

3. Create a framework through which consumers and advice organisations can more effectively raise concerns on supplier performance in regard to issues relating to non-E7 restricted meters, and report apparent non-compliance.
4. Develop a plan, in collaboration with suppliers and consumer groups, to overcome inventory issues of restricted meter infrastructure and enable suppliers to fulfil their obligations whilst improving consumer outcomes.

## **Extending the remedy without a fixed end-date, to allow Ofgem to revisit existing interventions if evidence suggests that they are no longer meeting the needs of consumers with non-E7 restricted meters**

- 1.1 CAS does not believe that the conditions for competition for consumers with non-E7 restricted meters absent of market intervention have significantly improved since the CMA's 2016 EMI. We therefore strongly support the extension of SLC22G despite our concerns about the effectiveness of the Restricted Meter Remedy; given the timescales available and a lack of sufficiently granular data, we do not believe that Ofgem could have reasonably come to an alternative determination than the one on which it is consulting. Nevertheless, CAS believes it is important that Ofgem provides itself with an opportunity to revisit the adequacy of protections for consumers with non-E7 restricted meters when time is less of an issue, if and when better data becomes available on the pros and cons of any ongoing market intervention in this area. CAS plans to publish new research on this topic in 2021 which we hope would add value to any such review.
- 1.2 Given the ongoing uncertainty around the position of the smart rollout at the end of the post-2020 smart meter framework, and the decision by BEIS to adopt GB-wide targets across all meter types, we think it would be sensible for the ending of any protections to be tied to an assessment of effective competition in a market absent of interventions rather than being expressly tied to a specific date. The smart meter rollout for consumers with non-E7 restricted meters has been significantly delayed by an absence of suitable metering infrastructure and there is no guarantee that smart meter penetration among consumers with non-E7 restricted meters will have caught up with the wider rollout by the end of the framework period. Expressly tying the expiry of market interventions for consumers with non-E7 restricted meters to the GB-wide smart meter rollout could therefore mask potential harms in the event that such interventions were removed prematurely.
- 1.3 Households with prepayment meters (PPMs) routinely pay higher energy prices, in part due to the greater cost-to-serve incurred by suppliers. In our *Market Pulse* consumer survey published earlier this year<sup>9</sup>, we determined that consumers in vulnerable situations were more likely to be PPM users. CAS therefore believes that PPM customers with non-E7 restricted meters should be covered by these protections, but we recognise that there are technical barriers to achieving this which have resulted in the exclusion of PPM customers from the majority of SLC22G's provisions.

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<sup>9</sup> CAS (2020): [Market Pulse](#)

- 1.4 In its current form, the Restricted Meter Remedy is applied to customer accounts *ex-post* by adding up the consumption recorded against multiple meter registers and applying a single rate to the total amount of energy consumed. This would be difficult to replicate for PPMs other than through the provision of an *ex-post* rebate to consumers. CAS would therefore encourage Ofgem to revisit this issue when time is less of a concern, and we would urge Ofgem to be proactive in doing so. Any such review should also explore the opportunity to extend protections for microbusinesses, who are also currently excluded from the provisions of SLC22G.

## **Clarification on the expectations on obligated suppliers in terms of messaging and communication with prospective and existing customers with non-E7 restricted meters**

- 2.1 One of the most common criticisms of the Restricted Meter Remedy that are reported to CAS is that few consumers appear to be aware of its existence. Ofgem’s consultation document alludes to the fact that consumers have failed to engage with supplier messaging around the remedy; this may be true, but CAS would suggest that this points to a failure in how the information is being presented, and a lack of monitoring of the effectiveness of supplier communications on this matter. Evidence from our bureau network indicates that many non-E7 restricted meter households still believe that they cannot switch supplier, or they are so disengaged from the energy retail market that it simply is not something they would consider. For any extension to SLC22G to be successful, there is therefore a need for Ofgem to conduct a targeted awareness campaign to re-engage this customer base and extol the benefits of exercising this consumer right.
- 2.2 All suppliers are currently obligated to highlight their Cheapest Alternative Tariff in communications to their customers. For consumers with non-E7 restricted meters, this must include single-rate tariffs in order to be SLC22G compliant; prepayment customers with non-E7 restricted meters should also receive this information. However, evidence from our bureau network indicates that this information is not always provided, and where it is, it is not displayed in a sufficiently clear and prominent position for consumers to effectively engage with it. For example, at one of our Big Energy Saving Week focus groups last year, consumers were tasked with finding the Cheapest Alternative Tariff message on an anonymised bill from a major domestic electricity supplier. Though the majority were able to locate it, this required close examination of the bill for a considerable amount of time; others were unable to find it all. This is a good example of how futile such initiatives can be if they are not tailored to consumers’ needs.

## **Creating a framework through which consumers and advice organisations can more effectively raise concerns on supplier performance in regard to issues relating to non-E7 restricted meters, and report apparent non-compliance**

- 3.1 CAS attends a stakeholder forum with housing associations and advice organisations in the North of Scotland. One concern that is regularly cited by this group is the lack of a channel through which organisations can report issues relating to non-E7 restricted meters and apparent non-compliance with the Restricted Meter Remedy to Ofgem. To many, it feels as though there has been a failure to follow through on the provisions of SLC22G in terms of auditing or reviewing how successful the intervention has been in enabling consumers with non-E7 restricted meters to engage with the retail energy market.
- 3.2 CAS would argue that there is an opportunity for Ofgem here. There is an abundance of evidence available from a number of organisations who have significant expertise in supporting consumers with non-E7 restricted meters, giving them unique consumer insight. The creation of an appropriate reporting framework would allow these voices to be more effectively heard, and would also assist Ofgem's compliance functions.
- 3.2 There is also currently no accessible resource which lists the suppliers obligated under SLC22G. This hinders the effectiveness of the Restricted Meter Remedy as consumers and their representatives have no means by which to assess which terms suppliers should be making available to them. Our stakeholders in the North of Scotland, who have large client bases that are off the gas grid, identified this as a significant barrier to providing effective advice and assistance in accessing the most appropriate tariffs for the consumers they support.
- 3.3 CAS is also aware that a supplier account number is required to log a complaint with Ombudsman Services: Energy. In effect, this means that a consumer can only raise a complaint to the Ombudsman about their existing supplier. However, the nature of SLC22G means that consumers should be able to complain if suppliers do not offer appropriate terms when they are looking to switch. This is arguably outwith Ofgem's remit and, therefore, the scope of this consultation, but it is a useful example of how consumers have experienced issues in exercising their rights under SLC22G. Combined with the absence of a suitable reporting structure to which these concerns can be highlighted directly to Ofgem and an overall lack of awareness, there is therefore a risk that issues of non-compliance with SLC22G are being significantly under-reported.

## **Developing a plan, in collaboration with suppliers and consumer groups, to overcome inventory issues of restricted meter infrastructure and enable suppliers to fulfil their obligations whilst improving consumer outcomes**

- 4.1 A consequence of the smart meter rollout is the winding down of the manufacture of traditional electricity meters. This is a natural part of the process of modernising the energy system, but it poses problems for both consumers and suppliers in relation to SLC22G.
- 4.2 CAS is aware that there is now a severe shortage of available metering infrastructure for some non-E7 restricted meter types which is resulting in delays to meter exchanges. This prevents consumers from changing payment methods and results in estimated bills and questions as to the applicability of backbilling where faulty meters cannot be timeously replaced. We understand this issue is particularly acute for 5 terminal meters. This issue is likely to be exacerbated the longer that there is a market intervention in place, so there needs to be a co-ordinated industry approach to finding a solution. CAS has previously called for an industry working group to be convened for this purpose, with consideration given to pooling available stock across the industry.
- 4.3 CAS understands that there has been progress recently towards bringing a SMETS2 to market that will maintain the functionality of dynamically teleswitched systems and traditional electric storage heaters. However, rural areas in Scotland are likely to be amongst the last to benefit from this, meaning a continued reliance on restricted meter infrastructure in the interim, and the need for ongoing consumer protection in the licence code.