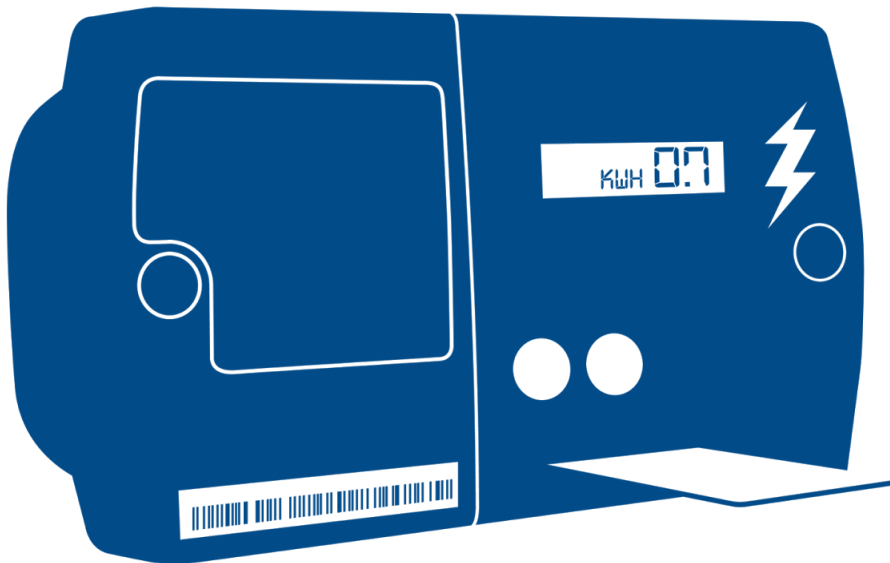


Good practice guide

Holistic support for energy consumers who self-disconnect from their prepayment meter



Naomi Grayburn



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Summary

The issue of self-disconnection among people who use a prepayment meter (PPM) for their energy has gained prominence in recent years. Energy suppliers are becoming more proactive at putting in place appropriate support measures.¹ In 2016, Citizens Advice published its first good practice guide for energy suppliers on how to respond to PPM customers who self-disconnect.² Later that year, Energy UK, the trade association for energy suppliers, updated and expanded its PPM principles.³ At time of writing, 13 of the largest suppliers have signed up to these principles. We hope that more will do so.

Self-disconnection is not an isolated issue. Welfare reform, income insecurity, poor energy efficiency and consumer debt are all contributing factors. This means that a range of organisations, in the private and public sector, have a role to play in supporting PPM users when they experience difficulties. This includes energy suppliers, housing associations, local authorities, job centres, advice agencies and other support services.

In summer 2017, Citizens Advice undertook research to understand what help and support PPM users need to keep them on supply. We spoke to a range of Citizens Advice clients and advisers across Great Britain to understand their views and experiences of either accessing or delivering advice on self-disconnection. This guide draws together our findings as a practical guide for organisations supporting PPM users. It sets out 5 key support areas and how these can be tailored to PPM users. Organisations should use these guidelines to ensure they are providing appropriate and effective support to PPM users, both in-house and through partnership work.

We will also publish a full policy report on self-disconnection early in 2018.

¹ Citizens Advice, [Staying Connected](#), April 2016

² Citizens Advice, [Supplier good practice guide: Responding to prepayment customers who self-disconnect](#), April 2016

³ Energy UK, [PPM principles](#), October 2016

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1. What is holistic support?

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.

Our research with advisers and clients 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 is important to get consumers back on supply and address other immediate issues first. This can then be followed up by wider support.

“If there’s a benefit issue the client will be like, yeah I know I need to sort that out but right now I need this, this and this, so give me that, that and that, and we’ll talk about that another day.”

Adviser - Manchester District Citizens Advice

Our forthcoming policy report will explore the availability and accessibility of emergency fuel credit schemes in more detail.

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.

In particular, organisations should make sure they are responding effectively to the needs of people with mental health problems.⁴ 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.⁵

It is delivered in partnership

Holistic 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.⁶ 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.

⁴ Citizens Advice, [Joining the dots](#), October 2017.

⁵ Money Advice Trust, [Vulnerability, mental health and the energy sector](#), October 2017.

⁶ Citizens Advice, [Good practice guide: How energy suppliers can signpost and refer vulnerable consumers to the right source of help](#), January 2017.

2. Key support areas

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 1. Overview of good practice areas

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

Benefits and income

Self-disconnection is closely associated with chronic low income and income insecurity. Our research found that Citizens Advice clients often self-disconnect because they simply do not have enough money coming in to make ends meet. Sudden drops in income, such as a change in welfare benefits or job loss, can also lead to temporary crises that leave people unable to top up their PPM. Those who are self-employed or on zero-hour contracts may also experience changes of income that put them at risk of self-disconnecting.⁷

Resolving benefits problems

Self-disconnection often results from benefit issues. These include:

- the initial waiting period for Universal Credit
- payment delays
- sanctions
- reductions in the amount of benefit received

Where this is an issue, consumers should be offered help to resolve problems with their benefits. This may involve helping them make an application, appeal a decision, or apply for additional support such as an Advance Payment.

Income maximisation

Our research shows that income maximisation can play a significant role in helping PPM users stay on supply. This typically includes checking eligibility and assisting with applications for:

- welfare benefits
- help with energy bills
- help with water bills
- other grants

The Warm Home Discount scheme is particularly valuable for those on a PPM. As payment is made during the winter months, it can prevent consumers from self-disconnecting during periods when they need to consume more energy. It is good practice to provide assistance with applying for the scheme, as the application process can be confusing for some consumers.

⁷ Citizens Advice, [The importance of income security](#), June 2016.

Client story



Jenny was working in a low paid job and not receiving any benefits. Every week she put £10 on her prepayment meter, but often went into emergency credit and frequently self-disconnected. In the winter, she cut back on heating and tried to use as little electricity as possible.

Jenny was then diagnosed with a serious heart problem and retired early due to ill health. Her doctor referred her to Citizens Advice as she was struggling financially and couldn't afford to buy any food. Citizens Advice helped her apply for additional benefits and the Warm Home Discount. She now always has money to put on the meter in winter and no longer self-disconnects.

Debt

Unresolved debt problems often lead to self-disconnection. Consumers who are repaying an energy debt via their PPM are more likely to self-disconnect if the debt repayment rate is not affordable. And consumers who have debts with multiple creditors tend to self-disconnect because they prioritise other payments.

Help with PPM debt

The issues that can occur with PPM debt are shown in this example:

The consumer puts £10 on their gas PPM. £7 is taken towards their debt, leaving only £3 of credit. The consumer doesn't have enough money to top up again so when the credit is used up they self-disconnect. While they are disconnected, standing charges and further debt repayments accrue. This makes it even harder for them to get back on supply.

If the consumer is repaying a debt on their PPM, it is important to ensure the repayment rate is affordable. According to supply licence conditions, all debt repayment arrangements must take into account the consumer's ability to pay. This can be done through income and expenditure assessments that help to ascertain what is affordable for the consumer. In some cases, it could be appropriate to temporarily suspend debt repayments. The Standard Financial

Statement is a tool is used by debt advice providers and other organisations to summarise a person's income and outgoings, along with any debts they owe.⁸

Consumers can particularly struggle to stay on supply if they don't understand how much debt they owe and how it is repaid. Suppliers should provide clear information on how much debt is owed and how it will be collected so that consumers are able to budget effectively. Customers with smart PPMs should also be given support to use the Debt Balance feature on their meter to help them budget.⁹

It is also common for consumers to self-disconnect while there are outstanding queries about the level of debt owed. This can make it difficult for consumers to manage their budget and can be distressing. Suppliers should resolve these issues as quickly as possible, as well as providing clear information. Some consumers may need additional support to understand their debt.

Client story



Catherine had a gas PPM installed when she fell into debt with her supplier. She found it difficult to keep the meter topped up because the debt repayments were so high. She didn't want to cut back on heating too much because she has asthma and it gets worse in the cold.

She phoned her supplier several times to ask how much she owed and to query the debt repayments. Eventually, after they had replaced a faulty meter, they said she no longer owed anything and they would reimburse her £400. A year later, she found that her PPM was taking debt repayments again. Her supplier confirmed that there had been a mistake but she needed to repay £8 a week. She went away for three weeks and when she returned the supply had disconnected. She phoned her supplier again and they sent an engineer round to reset the meter.

Catherine then asked her local Citizens Advice for help with the debt repayments. The adviser contacted the supplier on her behalf, and as a result the supplier accepted that most of the alleged debt was unrecoverable due to the back billing protocol. For the reduced balance owed, Citizens Advice also helped negotiate an affordable repayment rate. Catherine says it would have helped to have written information from her supplier about how much she owed.

⁸ sfs.moneyadvice.service.org.uk/en/what-is-the-standard-financial-statement

⁹ Centre for Sustainable Energy, [Smart prepayment and fuel poverty](#), October 2016.

If a consumer is in debt to their energy supplier and struggling to keep up with repayments, they may also be eligible for a grant from an energy trust fund. All of the largest energy suppliers have their own trust funds that their customers can apply to. In addition, the British Gas Energy Trust, EDF Energy Trust and E.on Energy Fund are open to all energy consumers, regardless of who their supplier is. Some consumers may need additional support to make an application.

Help with wider debts

Debt advice helps people to reach an appropriate resolution for their debt problems. This might involve setting up an affordable debt management plan or applying for a debt relief order.

Our research found that advice on prioritising debts is particularly important for PPM users. Consumers with multiple debts often self-disconnect because they prioritise other payments such as rent and council tax arrears, credit cards, catalogue debts and loans. Where this is the case, it is important to explain to the consumer which debt is a priority. Priority debts are those with the most serious consequences - like being evicted or getting a court fine.

“They might prioritise their credit card because they use it for food ... it’s about explaining what is a priority payment.”

Adviser - Coventry Citizens Advice

Energy efficiency

Consumers are more likely to find it difficult keeping their PPM topped up if they are using not energy efficiently or are living in an energy inefficient home. This includes:

- using electricity instead of gas central heating for space and water heating, e.g. using plug in heaters and kettles
- using electric immersion heaters inefficiently, e.g. leaving on by accident
- using heating controls incorrectly
- living in a poorly insulated home

Self-disconnection is a particular problem for households who use electric heating as electric heating is more expensive than gas. Our research found that clients with a gas PPM often self-disconnect from their gas supply and instead rely on plug-in electric heaters. Likewise, those who are off-gas and use storage

heaters to heat their homes often find it difficult to keep their PPM topped up.¹⁰ Furthermore, they might not understand how to operate the heaters correctly.

Behavioural advice

PPM consumers who are financially constrained often cut back on their energy usage. However, they can often make small behavioural changes that will make a real difference in the long term. For example:

- moving furniture away from radiators
- filling the kettle with the minimum amount of water needed
- filling empty space in the freezer with newspaper or cardboard
- covering pots when cooking

It is also important to help consumers use their heating system efficiently. In particular, advisers can show consumers:

- how to use their boiler
- how to set the controls on their storage heaters
- how to use their thermostat or timer

It is also important to identify any high consumption appliances the consumer is using and give advice on cheaper alternatives. For example, consumers should be encouraged to where possible use their gas central heating instead of plug-in electric heaters.

Behavioural energy advice is often better delivered via home visits. Housing associations are well placed to offer support to their tenants in this way. Some energy suppliers also have home energy advisers. Citizens Advice is currently piloting a Winter Resilience service that offers energy home visits to vulnerable people living in cold homes.

The Energy Saving Trust provides information on home energy efficiency on their website energysavingtrust.org.uk/home-energy-efficiency. They also run a telephone advice service offering consumers impartial energy saving advice in England and Wales (the Energy Saving Advice Service) and Scotland (Home Energy Scotland).

The smart meter roll-out also offers an excellent opportunity for energy suppliers to provide energy efficiency guidance. Research suggests that PPM

¹⁰ Citizens Advice, [Living without mains gas](#), January 2017

users need to be engaged and focused to make the best use of the guidance delivered.¹¹ Good practice identified by the Department for Business, Energy and Industrial Strategy (BEIS) suggests that advice should:

- provide clear, practical and concise 'know-how' messages
- be tailored to the target audience - including messages that are relevant to the consumer, where identified
- be framed to reflect different customer motivations
- be delivered through a mixture of mediums, including hard copies

Linking energy efficiency guidance to information displayed on In Home Displays can support further engagement with the device. This can help the consumer make energy saving choices in future.

Home improvements

It is good practice to check whether a consumer is eligible for help through energy efficiency support schemes. The largest scheme is the Energy Company Obligation (ECO) which operates across Great Britain. Consumers living in Wales may also be eligible for help through the Welsh Government Warm Homes Nest Scheme. Scottish consumers may be eligible for help through the Home Energy Efficiency Programmes for Scotland (HEEPS) or the forthcoming Scotland's Energy Efficiency Programme (SEEP), which is currently being piloted.

These schemes can provide long term energy efficiency measures such as

- loft and wall insulation
- boiler repairs and replacements

Advice on eligibility is available through the Energy Saving Advice Service (England and Wales) and Home Energy Scotland. Consumers may also need help through the ECO application process.

Consumers who are off-gas may also be eligible for funding from the Fuel Poor Network Extension Scheme, which helps cover the costs of connecting to the gas or heat network. Information about eligibility and how to apply can be found in Ofgem's factsheet.¹²

¹¹ CSE, [Smart prepayment meters: householder experiences](#), March 2016.

¹² Ofgem, [Fuel Poor Network Extension Scheme from 1 April 2016 - Factsheet](#), November 2016.







Local energy efficiency schemes are also available in some areas. For example, one local Citizens Advice we spoke to had a partnership with their local fire service who provided more efficient plug-in heaters for those who needed them.

Managing a prepayment meter

Consumers who are financially constrained often have to make very difficult choices about how to spend their money. Our research found that clients often self-disconnect because they have chosen to buy food or school uniforms for their children, or pay other creditors, rather than top up their PPM. Income maximisation and debt advice play an important role in improving their situation. However, they may also need general support with managing their money.

Citizens Advice has developed a set of financial capability measures for our clients and services. This is a good example of how money management can be broken down into key areas.

Figure 2. Citizens Advice money skills areas¹³

	Keeping track of money		Having enough money to live		Looking for the best deals	
	Controlled spending		Planning ahead with money		Staying informed about money services	

Our research found that clients on a PPM face specific challenges around managing their money:

- fluctuations in energy consumption, particularly in the winter
- confusion around standing charges
- debt repayments on a PPM

These can make it particularly difficult to keep track of money and plan ahead. Energy suppliers and other agencies should provide tailored help and support with each of these areas.

¹³ Citizens Advice, [Measuring financial capability](#), April 2017.

Budgeting on a PPM

Unlike those on a Direct Debit or other credit payment method, PPM users pay in advance for the energy they consume. This presents a particular challenge because energy consumption can fluctuate significantly. Generally, people need more energy in the winter. Usage can also be affected by a change of circumstance that requires spending more time at home, such as having a baby or becoming seriously ill.

Our research shows that PPM users who are financially constrained tend to budget by putting a fixed amount on the meter whenever they get paid. They monitor their usage carefully and cut back as much as possible. When the credit is used up, they self-disconnect until the next payday.

Advisers encourage people to plan ahead for increased consumption in the winter so that they are less likely to self-disconnect. In particular, they encourage people to keep topping up their gas meter even when they are not using it over the summer. This helps ensure standing charges do not build up, and helps the consumer build up a reserve for the winter.

Smart meters bring other opportunities to help PPM users manage their budget. Several clients we spoke to as part of this research said they would like a smart PPM to help manage their usage. Research by CSE shows that features like Historic Usage, Target Setting, Debt Balance and Credit Alerts on smart PPMs can help consumers to budget and change their energy consumption.¹⁴ For example, they can remind consumers to top up over the summer. The same research also shows that home energy advice visits are important for showing consumers how to make best use of these features.

Unlike traditional meters, smart meters in prepayment mode do not retain credit upon switching to a new supplier. Credit can take up to six weeks to be refunded to consumers. This can be a particular issue for those who are financially vulnerable. Energy UK is soon to publish a set of voluntary principles to address this issue. The principles will outline communications that should be given to consumers prior, during and following a switch, and the responsibilities suppliers have to ensure consumers stay on supply during the process.

¹⁴ Centre for Sustainable Energy, [Smart prepayment and fuel poverty](#), October 2016.

Understanding the PPM

Our research found that some PPM users need additional support to understand and manage their meter, in order to avoid self-disconnecting. This includes understanding standing charges, emergency credit and debt repayments.

It is particularly common for those with gas central heating to stop topping up their gas PPM over the summer. This leads to a build-up of standing charges that needs to be cleared in order to get back on supply. Consumers often get into difficulty in the autumn when they need to put the heating back on and are unable to clear these charges.

Energy suppliers and other organisations supporting PPM users should:

- Explain that there is a standing charge and that it is deducted even when the consumer is not using their gas/electricity
- Encourage PPM users to continue topping up their gas meter in the summer
- Provide clear information about any debt on the meter and how it is collected
- Explain that emergency credit has to be repaid and how it is collected

This is will be discussed in more detail in our forthcoming policy report.

Alternative payment methods

An important part of providing holistic support is ensuring consumers are on the most appropriate payment method and tariff for them. Consumers should only have a PPM if it is 'safe and reasonably practicable'.¹⁵ This term is explained below. Where it is not safe and reasonably practicable, suppliers must explore alternative payment methods.

Our research highlighted that there is no one size fits all payment method. The best payment solution depends on each individual's circumstances and needs. We have developed the following checklist for suppliers and other organisations to use in determining the best solution. Consumers should be made aware of the different options available to them and be given a genuine choice.

¹⁵ Ofgem, [Standard conditions of electricity supply licence](#), SLC 28.1A

Checklist for determining the most appropriate payment method

- ✓ Is a PPM safe and reasonably practicable?
- ✓ Does the consumer owe a debt to their energy supplier? If so, what is the most appropriate method for them to repay this debt taking into account their ability to pay? If not, do they need a PPM?
- ✓ Which payment method makes it easiest for the consumer to manage their money?
- ✓ Could the consumer access a cheaper tariff by using a different payment method?

What is safe and reasonably practicable?

A PPM is not safe and reasonably practicable if there is a serious risk to health from self-disconnection or extensive self-rationing. This includes cases where the consumer, or another member of the household:

- has a health condition that is made worse by living in a cold home, or
- uses medical equipment that requires an electricity supply

Client story



John had a PPM installed following a £2000 catch-up bill from his energy supplier which he was unable to pay. At the time, he was receiving £74 a week on benefits.

John had COPD (a lung condition) and needed to use a nebuliser. He found it very difficult to keep his electricity PPM topped up given his level of income. He would sometimes go to a neighbour to use their electricity and begged money off them when his situation got worse. He prioritised electricity over food and got very thin.

Eventually John ended up in hospital and the COPD clinic referred him to Citizens Advice. Citizens Advice got his meter exchanged for a credit meter and got his debt wiped through energy trust funds.

A PPM may not be safe and reasonably practicable if, for reasons of mental health, the consumer is not always able to leave the house to top up. We agree with the following guidance from the Money and Mental Health Policy Institute:¹⁶

Energy suppliers must ensure that they never install a prepayment meter for customers with a history of social phobia, agoraphobia or any other mental health problem that means they may not be able to leave the house. This applies to new smart meters that can be topped up online: companies should not assume customers have a working internet connection.

Debt repayment options

Suppliers are required to offer a range of payment options to customers in payment difficulty:¹⁷

- payment by regular instalments through means other than a PPM, e.g. direct debit
- payment by direct deductions from welfare benefits (Fuel Direct)
- payment through a PPM, where this is safe and reasonably practical

Our research suggests that Fuel Direct is particularly underused as a debt repayment method. This is due to a number of factors including low awareness, administrative difficulties and concerns around affordability. Since the prepayment price cap came into effect, there are also concerns that consumers are actually worse off on Fuel Direct. This is because Fuel Direct requires the consumer to be on a standard variable tariff, which is more expensive. We also have concerns around the affordability of Direct Deductions under Universal Credit.¹⁸

However, we think Fuel Direct can provide a better solution for some consumers. We will discuss this further in our forthcoming policy report.

Managing money on different payment methods

The type of payment method they have can help consumers manage their money. PPMs can make it easier for consumers to budget and ensure they do

¹⁶ Money and Mental Health Policy Institute (June 2017) [Best practice checklist for energy and water suppliers](#)

¹⁷ Supply Licence Condition 27

¹⁸ Citizens Advice, [Universal Credit and debt](#), September 2017.

not fall into debt. Our research found that some consumers prefer having a PPM for this reason. However, for the most financially constrained consumers, this often means they cut back on energy use in order to save money and do not adequately heat their home. In these cases a credit meter, or smart meter in credit mode, may be more appropriate. Some consumers may find it easier to manage their money and energy usage with a Direct Debit, budgeting card or other payment method.

Accessing cheaper tariffs

Whether a customer has a PPM or credit meter can impact on their ability to access cheaper tariffs. In the past, PPM customers had to switch to a credit meter in order to access the cheapest tariffs on the market. Since April 2017, PPM customers have been protected by a temporary price cap. This is due to expire at the end of 2020 when the smart meter rollout is planned to be complete.¹⁹ This means that currently PPM customers are not necessarily better off switching to a credit meter. We recommend using the Citizens Advice price comparison tool to check the availability of cheaper tariffs.

¹⁹[ofgem.gov.uk/gas/retail-market/market-review-and-reform/implementation-cma-remedies/pre-payment-meter-price-cap](https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform/implementation-cma-remedies/pre-payment-meter-price-cap)

Next steps

We welcome feedback from stakeholders on how they have used this good practice guide.

Citizens Advice will continue to monitor the impact of self-disconnection on PPM users and plans to publish further research early in 2018. The research will address the following issues:

- the current scale of self-disconnection in Great Britain.
- why people self-disconnect and which groups are particularly affected.
- the impact self-disconnection has on people's lives, including their mental health.
- the relationship between self-disconnection, debt and people's ability to afford other essential items.
- the support available for prepayment meter users who self-disconnect, what works well and how could it be improved.

We will continue working closely with the energy industry, government and other stakeholders to develop practical solutions for reducing the number of PPM users who self-disconnect.

We help people find a way forward

Citizens Advice provides free, confidential and independent advice to help people overcome their problems.

We advocate for our clients and consumers on the issues that matter to them.

We value diversity, champion equality and challenge discrimination.

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