

The Senedd should scrutinise the prepayment meter scandal in Wales

Y Pwyllgor Deisebau | 13 Mawrth 2023
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Reference: SR23/5378/2

Petition Number: P-06-1326

Petition title: The Senedd should scrutinise the prepayment meter scandal in Wales

Text of petition:

We call on the Senedd to undertake an inquiry into the prepayment meter scandal.

Over the last two months evidence has emerged that thousands of people have been switched to prepay meters without the required checks as to whether they are vulnerable.

We at Climate Cymru and other campaigners have been exposing this scandal.

Please see links to stories by campaigning journalists like Dean Kirby at the i Newspaper [all behind a paywall].

- [Forced installations of prepayment meters to stop as courts ordered to end issuing warrants](#)
- [Prepayment meters must be removed for vulnerable families as compensation is not enough, Grant Schapps told](#)
- [i morning briefing: How the prepayment meter scandal was uncovered, and forced change](#)



- [Prepayment meters: Grant Schapps gives energy firms until Tuesday to consider compensation](#)
- [Prepayment meter investigation](#)

1. Background

1.1. The rising cost of energy

[Rocketing energy prices have been dominating the news](#), both in the UK and globally. The price of gas jumped to an all-time high, taking electricity prices with it, and causing the UK Government to step in to [support people and businesses](#).

The [wholesale price of energy has increased](#) due to a [combination of events](#), resulting in a reduced supply coupled with an increasing demand.

Ofgem, the energy regulator, has been able to limit the rates a supplier can charge to domestic customers by putting a [‘price cap’](#) on the cost per unit of electricity and gas, as well as limits on the standing charge for each, and re-evaluate every three months. As wholesale prices increased, Ofgem increased the level of the price cap.

In response to the rising [price cap](#), the [UK Government announced the Energy Price Guarantee as a temporary additional measure](#), which means consumers will pay less for their energy than under the price cap. It means that currently from April 2023 a typical household will pay £3,000 per year to end of March 2024 (although it is [expected to be kept at the current level of £2,500](#) per year).

The [Welsh Government says](#):

Current estimates suggest up to 45% of all households in Wales could be in fuel poverty following increases to the energy price cap.

1.2. Payment up front

Prepayment meters (‘PPM’) are a [type of domestic energy meter](#) that require users to pay for energy before using it.

A recent Welsh Government Statement says:

...approximately 200,000 households in Wales use pre-payment meters for their mains gas and electricity. This represents approximately 15% of all households and 24% of tenants in the private rented sector. Almost half of social housing tenants (45%) also use pre-payment meters.

Energy is more expensive with a PPM compared to the best direct debit deals. There are also fewer tariffs and suppliers to choose from, and customers have more limited credit options as they are unable to go into arrears. The gap between unit prices available to PPM and other customers was reduced through the price cap, and more recently the Energy Price Guarantee.

Under the Energy Price Guarantee PPM customers pay a lower unit price for electricity than other customers. However they pay a higher unit price for gas than customers paying by direct debit, and pay higher standing charges than all other customers for both electricity and gas.

A recent comparison by Which? reported in December 2022, found a £60 difference per year between a dual-fuel deal for a 'typical household' paying by direct debit, and the same household with a PPM.

A recent survey undertaken by Citizens Advice Cymru found that over 70% of PPM users in Wales are worried about keeping their PPM topped up until April, and that:

32% of PPM users in Wales have been disconnected from their energy supply over the last year because they can't afford to top-up.

If a consumer with a PPM does not have enough money to top-up their meter, or when they do not realise that credit on the meter is running out, their meter cuts out. This is known as 'self-disconnection'.

1.3. Those on prepayment meters are disproportionately on the lowest incomes

Research by the independent think tank Resolution Foundation shows almost half (48%) of British families using a PPM are in the lowest income quintile.

Barnardo's Cymru says families on PPM need to be prioritised to be switched wherever possible to non-prepayment, as this perpetuates a very real poverty tax. Further, young people often face some of the worst consequences of financial

crises, and are likely to be the hardest hit by energy price hikes. Younger households are up to four times more likely to be on PPM, preventing them from spreading energy costs out evenly throughout the year, with fewer savings to fall back on compared to older age groups.

1.4. Customers being forced on to prepayment meters

A consumer and supplier may agree that a PPM is the best option to help manage any debt payments. However, energy firms can also apply to a magistrate to force (under warrant) a customer on to a PPM without their agreement if they have racked up debts.

Ofgem's good practice guidance for supporting customers in payment difficulty requires energy suppliers to identify vulnerable customers and offer them support if debts are building.

Following reports that energy companies were not doing enough to support vulnerable customers, on 22 January the then UK Secretary of State for Business, Energy and Industrial Strategy, Grant Shapps MP, wrote to energy suppliers calling on them to stop forcibly moving consumers over to PPM, without taking every step to support consumers in difficulty.

Following this, Ofgem CEO Jonathan Brearley wrote to the Secretary of State detailing previous Market Compliance Reviews (MCRs) into suppliers' governance and processes on how they treat customers in payment difficulty. Three suppliers were found to have "severe weaknesses" in how they support these customers.

In his letter, Jonathan Bearley set out Ofgem's intended actions, including to conduct a further MCR focused on suppliers' practices on PPM.

Since then, it's been reported that 32,790 warrants were issued in January to forcibly install PPM. Ofgem asked suppliers to pause forcible installation and to conduct a thorough review of processes. Magistrates have since been ordered to stop issuing warrants for this practice in England and Wales.

Ofgem has also called on all suppliers to use the pause in installations (lasting until 31 March 2023) to review all of their recent forced and remotely switched PPM installations, and consider if any need to be reversed, and compensation offered where the strict rules have not been followed.

Following intervention from MPs and the (now) Secretary of State for the Department for Energy Security and Net Zero, Grant Shapps MP, energy suppliers

have committed to ending the forced installation of PPM in vulnerable customers' homes.

Ofgem will also be taking an urgent investigation into British Gas, following undercover reporting from The Times into the company's treatment of customers when forced PPM were being installed.

2. Welsh Government action

The distribution and supply of electricity, and the supply of gas are both reserved to Westminster under the Government of Wales Act 2006. Consumer Protection is also a reserved matter. It is therefore unlikely that the Welsh Government could restrict or ban the installation of PPMs.

In terms of the energy price cap/guarantee, this is also a reserved matter, and Ofgem is accountable to the UK Parliament. However the Welsh Government can implement schemes to support people in Wales. For example in June 2022 the Welsh Government announced a Fuel Voucher Scheme for those who are pre-paying for energy, either on PPM or where they are reliant on heating oil.

Following a meeting with Energy Suppliers in January 2023, the Minister for Social Justice, Jane Hutt MS said:

I was told by the suppliers that moving householders onto pre-payments meters was seen as a last resort, and whilst there was a perception pre-payment meters are linked to debt, some suppliers stated the majority of their pre-payment customers used the meters as a tool to control usage.

Suppliers confirmed to me they try to actively engage with their customers before a pre-payment meter is considered and, in most cases, there is a lengthy process to follow before one is installed, in agreement with the householder. There are measures in place to determine who is considered to be appropriate for a pre-payment meter

The Minister said that energy suppliers have agreed to share data on the number of households being supported with their energy bills and/or being transferred onto PPM, and the reason for doing so. They also agreed to provide information on 'self-disconnection'.

The Minister also said **the Welsh Government has consistently** called on the UK Government and Ofgem to **introduce a social tariff** to protect the most vulnerable householders and there was broad support for this from energy suppliers.

The **Minister met with energy companies again on the 23 January**, and expressed that she was “appalled” about the number of forced installations of PPM.

3. Welsh Parliament action

A **topical question was asked in Plenary on 25 January**, by Jack Sargeant MS, where he called for an immediate ban on the forced installation of PPM. This topic was **raised again in Plenary by Jack Sargeant on 1 March**.

The Senedd’s Equality and Social Justice Committee has been undertaking an enquiry into **debt and the impact of the rising cost of living**. PPM and recent revelations around forced installations have been raised during this inquiry on **30 January** and **13 February**. The Committee is yet to report its findings.

Every effort is made to ensure that the information contained in this briefing is correct at the time of publication. Readers should be aware that these briefings are not necessarily updated or otherwise amended to reflect subsequent changes.