Rt Hon Sir George Howarth MP
House of Commons
London
SW1A 0AA

April 2023

Dear George,

Thank you for your email of 3 February, on behalf of your constituent, regarding pre-payment meters. I apologise for the delay in responding.

It is critical that our most vulnerable energy users are protected and we have acted quickly to tackle the issue of inappropriate prepayment meter use. All suppliers have now agreed to cease the forced installation of prepayment meters and the remote switching of smart meters to prepayment mode beyond 31 March 2023, except in clear instances of energy theft.

Ofgem has called for all suppliers to use this period to proactively check if any prepayment meters have been installed incorrectly and, where rules have been broken, to act now to offer customers a reversal of installations and compensation payments where appropriate. Ofgem also has powers to fine suppliers, if appropriate, to tackle non-compliance.

Ofgem rules are clear that suppliers can only install a prepayment to recover a debt as a last resort. Ofgem rules also require energy suppliers to only offer a prepayment service where it is safe to do so, with clear obligations on energy suppliers regarding supporting customers in payment difficulty. However, it is essential that these rules are strictly enforced. I have called for more robust Ofgem enforcement on these issues and Ofgem have responded to this by announcing a further review of supplier practice in relation to prepayment meter customers, to include targeted engagement accounting for the experiences of real consumers. This review could lead to compliance action and redress where appropriate.

On 21 February Ofgem published its next steps on forced prepayment meter installations. Ofgem has begun an intensive consultation process to look at what further protections may be needed around prepayment meters and seek views on other measures that could reduce the need for prepayment meters to be installed or switched to remotely. Ofgem are calling for evidence from all interested parties on the relevant licence conditions and guidance covering the identification of vulnerabilities, the safe and reasonably practicable rules and the guidance and the processes in place for installing or switching customers to prepayment. Ofgem are also seeking views on further measures that could reduce the need for prepayment meters to be installed or improve the prepayment meter experience for customers.
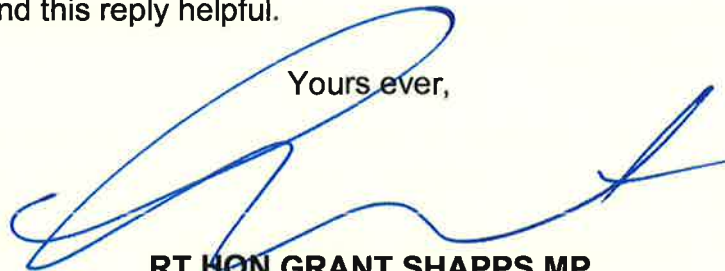
Ofgem has also announced the terms of reference of its specific, urgent investigation into British Gas. This review could lead to enforcement action where appropriate.

Prepayment meters can continue to play an important role in the market. They are a useful tool for some customers to prevent debt building up and a complete ban on prepayment meters would likely see a move to using debt enforcement via the courts and bailiffs, which is not a desirable outcome. However, it is important that the rules around their use are sufficient, and properly enforced.

The Government is taking action to end the 'prepayment penalty', introducing fairness reforms to energy bills to remove the premium paid by households using prepayment meters (PPMs). This will cut energy bills for over four million families across the UK by bringing their costs into line with those paid by comparable customers on direct debits, saving them £45 a year on energy bills. The change is expected to come into effect from July through the Energy Price Guarantee. The Government supports Ofgem's ongoing work to review PPM costs and has asked the regulator to report by the Autumn on any additional regulatory options, including options for ending the PPM standing charge premium, so that they are ready for implementation when the EPG ends in April 2024.

I hope you will find this reply helpful.

Yours ever,

RT HON GRANT SHAPPS MP
Secretary of State for Energy Security & Net Zero