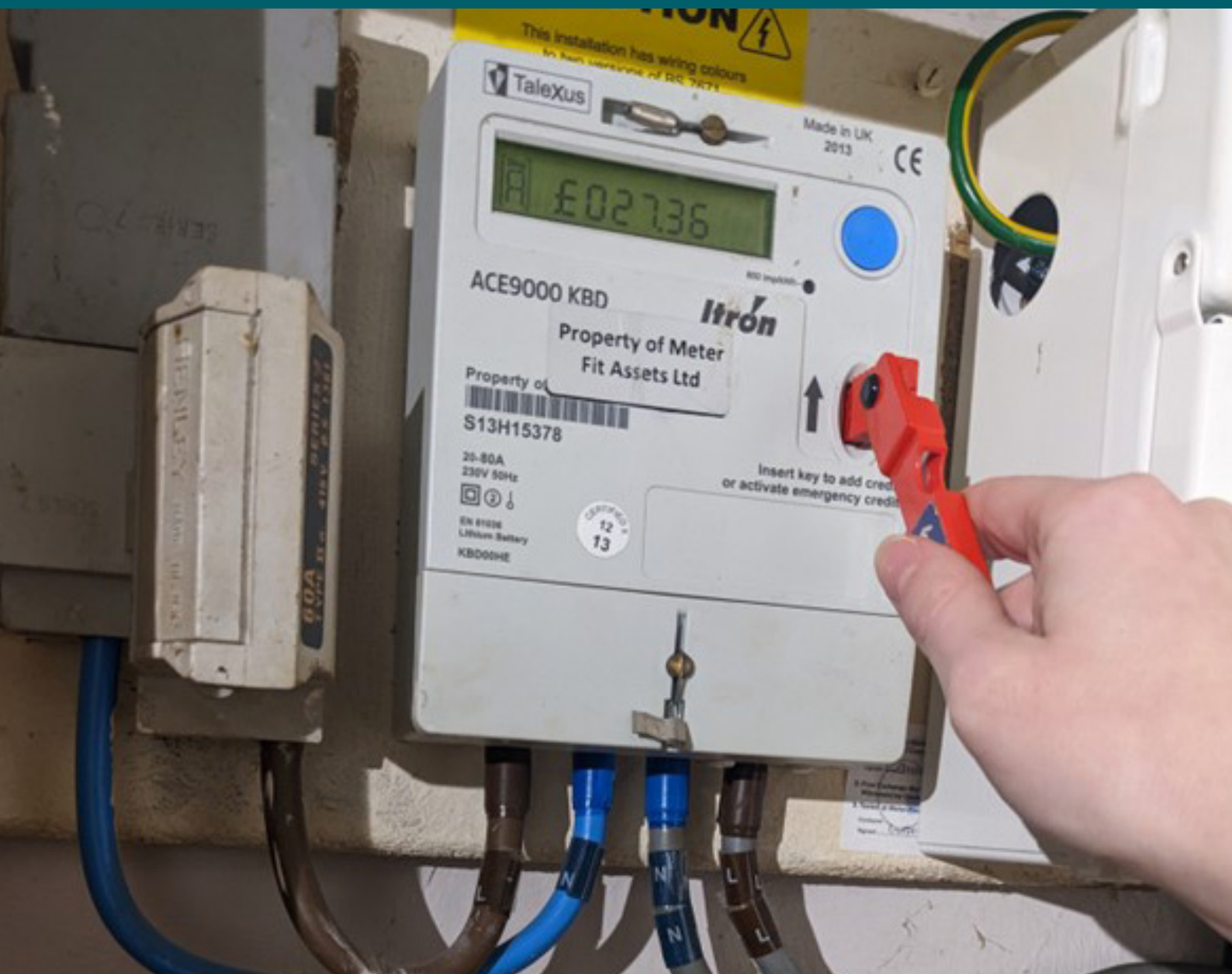


A Warmer Winter

P-06-1326 The Senedd should scrutinise the prepayment meter scandal in Wales

November 2023



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About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:
www.senedd.wales/SeneddPetitions

Current Committee membership:



**Committee Chair:
Jack Sargeant MS**
Welsh Labour



Rhys ab Owen MS
Independent Plaid Cymru
Member



Peredur Owen Griffiths MS
Plaid Cymru



Joel James MS
Welsh Conservatives



Buffy Williams MS
Welsh Labour

The following Member was also a member of the Committee during this inquiry:



Luke Fletcher MS
Plaid Cymru

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Chair's foreword

We launch this report at the start of another winter that will be dominated by the cost-of-living crisis. Support for fuel bills has been cut and many will struggle to pay.

Last winter Energy suppliers' response to this crisis was to let many of their customers down. The scandal of thousands of warrants for the forcible installation of prepayment meters being agreed in seconds without any checks to see if customers were vulnerable, was a disgrace.

The exposing of this by journalist Dean Kirby who gave evidence to our inquiry was a shocking read. The prepay scandal was encapsulated for many of us by the shocking video recorded by a Times undercover journalist, showing debt collection agents working for British Gas forcibly entering vulnerable customers' homes.

It was these events and the petition submitted by campaigners that prompted us to hold an inquiry. Since then, we have seen some changes in approach, but vulnerable customers still seem very exposed to poor practice and OFGEM's new rules leave many people we would all consider to be vulnerable completely unprotected.

Having access to heat and light can be a matter of life and death. I hope this report will inform future discussions in this area and ensure that the first duty of energy companies and the industry regulator OFGEM will be to people; not the enormous profits of energy suppliers.

A handwritten signature in black ink that reads "Jack Sargeant MS". The signature is written in a cursive style and is underlined with a long horizontal line that ends in an arrowhead pointing to the right.

Jack Sargeant MS

Chair, Petitions Committee

Recommendations

Recommendation 1. The Welsh Government should support the creation of a new social tariff for vulnerable people to provide greater support to those in the greatest need..... Page 13

Recommendation 2. Welsh Government should look at how it can enhance advice services this winter, particularly those aimed at the most vulnerable in society. This could involve providing additional funding, and/or a more visible advertising campaign signposting people to advice..... Page 13

Recommendation 3. Welsh Government should explore with utility providers whether it would be possible – within the limits of data protection rules – to ensure that where one organisation is aware that a customer is vulnerable, they are automatically given greater protection by other suppliers..... Page 13

Recommendation 4. WG should work with the UK Government and Ofgem to ensure there is greater clarity about who has the power to instigate a freeze on fitting prepayment meters. That power should sit with a named individual (in Ofgem, and/or the relevant Minister in the UK Government)Page 14

Recommendation 5. Ofgem should monitor the impact of the Code of Practice – with particularly focus on those at the upper and lower age limits. Specifically, we are concerned the 65-75 age group who do not enjoy the maximum protection afforded to those over 75, and households with pre-school children older than the 2 years old cut off. The Committee was surprised and disappointed that these age-based limits were not more generous. Page 15

Recommendation 6. Welsh Government should review whether they have any evidence which might support amending the code to lower the older age cut-off and/or increasing the age for households with children to include all pre-schoolers. Page 15

Recommendation 7. Ofgem should work with energy suppliers to monitor how decisions on vulnerability are made, and by whom. Debt-collection companies, whose primary interest is the recovery of debt, should not be the decision makers when it comes to deciding who is vulnerable. Page 16

Recommendation 8. The Welsh Government should explore how the newly established Ynni Cymru can encourage the development and uptake of local social tariffs.....Page 16

1. The Petition

This report sets out the recommendations and conclusions of the Petitions Committee, and provides links to the evidence considered by the Committee in relation to the following petition:

The Senedd should scrutinise the prepayment meter scandal in Wales

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.

Forced installations of prepayment meters to stop as courts ordered to end issuing warrants (inews.co.uk)

Prepayment meters must be removed for vulnerable families as compensation is not enough, Grant Schapps told (msn.com)

i morning briefing: How the prepayment meter scandal was uncovered, and forced change (msn.com)

Prepayment meters: Grant Schapps gives energy firms until Tuesday to consider compensation (inews.co.uk)

Prepayment meter investigation - inews.co.uk

2. The work of the Committee

This chapter details the journey of the petition, and the work of the Committee to explore how to take the petition forward.

- 1.** The petition was opened in February 2023, and collected 299 signatures. The petitioners closed the petition early on 11 March 2023 in order to ensure the Committee could discuss the petition at the earliest opportunity.
- 2.** The Committee decided to take evidence from campaigners, energy companies and the regulator Ofgem.
- 3.** On 27 March the Committee heard evidence from Bethan Sayed, petitioner & campaigns co-ordinator for the Warm this Winter campaign for Climate Cymru, Ben Saltmarsh, Head of National Energy Action Cymru, Luke Young, Assistant Director of Citizens Advice Cymru., and journalist Dean Kirby),
- 4.** On 15 May the Committee heard evidence from Neil Kenward, Ofgem, Chris O'Shea, Centrica, Dhara Vyas, Energy UK, and Andrew Ward, Scottish Power Retail.
- 5.** Links to all the sessions can be seen at:
<https://business.senedd.wales/ielIssueDetails.aspx?Ild=40964&Opt=3>
- 6.** The Committee is grateful to all those who gave evidence, which helped shape our discussion and conclusions.
- 7.** Subsequently, the Committee issued further correspondence to the energy companies. All these letters can be seen at:
<https://business.senedd.wales/mglIssueHistoryHome.aspx?Ild=40964>.
- 8.** In September 2023, Ofgem confirmed that the Code of Practice for the involuntary installation of prepayment meters (PPMs) would be made mandatory.
- 9.** Responding to the announcement, Committee chair Jack Sargeant said:

“Whilst I welcome the announcement of more protections for some of our most vulnerable residents this clearly does not go far enough. This is a green light to restart forced installations in the homes of very vulnerable people. This includes older residents classed by the World Health Organisation as being adversely impacted by colder homes, people with numerous chronic conditions and people with conditions like dementia.

“How can this be right? As I have said before, this is a matter of life and death and OFGEM’s first duty should be to these residents and not the energy suppliers maximising already huge profits.”

10. This report sets out the Committee’s conclusions and makes a series of recommendations to Welsh Government and Ofgem.

3. Background

This chapter sets out some of the key terms and events relating to the petition.

What is a Prepayment meter?

- 11.** Prepayment meters ('PPM') are a type of domestic energy meter that require users to pay for energy before using it.
- 12.** A Welsh Government statement in January 2023 estimated the scale of prepayment meter use in Wales. The Statement was issued after the Minister for Social Justice held a series of meetings with Ofgem and energy suppliers in response to growing concerns about the rising cost of energy.
- 13.** *“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. Many of these bill payers are on the lowest incomes yet are paying the highest tariffs for their energy.”¹ – Jane Hutt, Minister for Social Justice*
- 14.** Households using prepayment meters have historically paid a higher tariff than those on direct debit. In our evidence gathering we heard that that for some consumers prepayment meters can be an effective way of managing their spending, and only using what they can afford. We acknowledge that there are circumstances where this will be an appropriate choice for the consumer. But we also note that for vulnerable groups, there is a real risk that this payment method results in inadequate heating, and a material risk to health and wellbeing.

¹ Written Statement: Meeting with Energy Suppliers, 4 January 2023
<https://www.gov.wales/written-statement-meeting-energy-suppliers>

Involuntary installation

15. Involuntary installation is the industry term for fitting a PPM without the consent of the consumer. This can be done with a warrant from the courts, or by remotely switching a smart meter to pre-pay mode.

16. This practice was frozen in February 2023 after details of the scandal emerged. Subsequently the voluntary code of practice was agreed in April 2023.

Code of Practice

17. Initially introduced in April 2023 as a voluntary code. Following a consultation, Ofgem announced in September that it would become mandatory in November 2023. The Code states that suppliers must:

Refrain from all involuntary installations for the highest risk customers including:

- Households which require a continuous supply for health reasons, including dependence on powered medical equipment
- Households where all occupants are aged 75 years and over (if there is no other support in the house)
- Households with children aged under 2 years old
- Households with residents with severe health issues including terminal illnesses or those with a medical dependency on a warm home (for example due to illness such as emphysema, chronic bronchitis, sickle cell disease)
- Where there is no one within the household that has the ability to top up the meter due to physical or mental incapacity

18. The code also establishes are also rules about minimum number of attempts to contact, the wearing of body cameras during visits, and an obligation to re-assess once debts have been paid.

4. Conclusions and recommendations

This chapter sets out the Committee's considerations and makes a series of recommendations to the Welsh Government and other stakeholders.

Social tariff

19. The rapid rise in the cost of energy at the end of 2022 and start of 2023 created a crisis for many people, particularly those on low or fixed incomes. While the Welsh Government has no direct powers in relation to the cost of energy, it does have a voice to speak for Wales with the regulator and suppliers.

Recommendation 1. The Welsh Government should support the creation of a new social tariff for vulnerable people to provide greater support to those in the greatest need.

Support services

20. The Welsh Government already provides support for advice services. This support is vital, and increasingly relied upon by a wide range of people. While energy costs have fallen since their peak (WHEN) the rate of inflation has remained high, and the numbers of people concerned about energy costs has only increased since the petition was opened. Ensuring people have access to effective advice services – and do not bury their heads in the sand – is vital if we are to avoid families and individuals enduring a cold winter.

Recommendation 2. Welsh Government should look at how it can enhance advice services this winter, particularly those aimed at the most vulnerable in society. This could involve providing additional funding, and/or a more visible advertising campaign signposting people to advice.

Recommendation 3. Welsh Government should explore with utility providers whether it would be possible – within the limits of data protection rules – to ensure that where one organisation is aware that a customer is vulnerable, they are automatically given greater protection by other suppliers.

Accountability

21. Even once it became clear that there was a problem with the enforced fitting of prepayment meters, one of the key barriers to taking action was a lack of clarity about who should do so, and how.

Recommendation 4. WG should work with the UK Government and Ofgem to ensure there is greater clarity about who has the power to instigate a freeze on fitting prepayment meters. That power should sit with a named individual (in Ofgem, and/or the relevant Minister in the UK Government)

Ofgem's code of practice

22. The publication in April 2023 of Ofgem's new voluntary code of practice on force fitting PPM was a step forward in providing greater protection to vulnerable energy users.

"This voluntary code of practice is a much needed improvement in the protections people have against the forced installation of a prepayment meter by energy companies." – Citizens Advice²

23. From 8 November 2023 the voluntary agreement will become mandatory. This is another step forward, and something the Committee explored in detail during our evidence gathering. It is now up to energy suppliers to ensure that the code is understood by their employees, and up to Ofgem to ensure it is effectively policed.

24. However, while the creation of a mandatory code of practice is a step forward, we believe it could still be stronger.

25. In announcing the new mandatory code, Ofgem stated:

² Press release, Citizens Advice, 18 April 2023 <https://www.citizensadvice.org.uk/about-us/about-us1/media/press-releases/responding-to-the-new-ofgem-code-of-practice-on-force-fitting-of-prepayment-meters-dame-clare-moriarty-chief-executive-of-citizens-advice-said/>

“Energy suppliers have been banned from forcibly installing prepayment meters for people over 75 with no support in their house and homes with children aged under 2...”³ - Ofgem

26. We are concerned that 75 – the age over which it will not be possible to force fit a PPM – is too high. The World Health Organisation defines patients as elderly if over 65. There is a real risk that using 75 will expose large groups of older pensioners to an unnecessary risk.

Recommendation 5. Ofgem should monitor the impact of the Code of Practice – with particularly focus on those at the upper and lower age limits. Specifically, we are concerned the 65-75 age group who do not enjoy the maximum protection afforded to those over 75, and households with pre-school children older than the 2 years old cut off. The Committee was surprised and disappointed that these age-based limits were not more generous.

Recommendation 6. Welsh Government should review whether they have any evidence which might support amending the code to lower the older age cut-off and/or increasing the age for households with children to include all pre-schoolers.

Decisions on vulnerability

27. Energy companies have re-started making applications for warrants to force-fit PPMs⁴. It is clear from the evidence of last winter and the period before force-fitting PPMs was suspended, that insufficient care was given to whether consumers were ‘vulnerable’. Decisions on whether a household is categorised as vulnerable should be made by professionals, and never by debt collection agencies.

28. The new mandatory code of practice gives greater clarity to the definition of vulnerability, but the Committee remains concerned that the decision on vulnerability will ultimately be made without sufficient care and expertise.

³ Press release, Ofgem, 13 September 2023 <https://www.ofgem.gov.uk/publications/new-prepayment-meter-rules-extend-protections-vulnerable-people>

⁴New warrants given to force-fit prepayment meters 19 October 2023 <https://www.bbc.co.uk/news/business-67156172>

Recommendation 7. Ofgem should work with energy suppliers to monitor how decisions on vulnerability are made, and by whom. Debt-collection companies, whose primary interest is the recovery of debt, should not be the decision makers when it comes to deciding who is vulnerable.

A role for Ynni Cymru

29. On 7 August 2023, the Welsh Government launched Ynni Cymru, which has been established to expand community-owned renewable energy generation across Wales as part of the Co-operation Agreement between the Welsh Government and Plaid Cymru. The Committee notes the potential of Ynni Cymru to contribute to a more people-centred approach to energy supply in Wales.

Recommendation 8. The Welsh Government should explore how the newly established Ynni Cymru can encourage the development and uptake of local social tariffs.

Annex 1: Further reading

Full details of the Committee's work on this petition, including correspondence with the Welsh Government and Energy suppliers can be seen on our [webpage](#).

Citizens Advice Cymru's October Cost of Living dashboard focuses on prepayment meters.

Slide 2 notes that:

"In 2022, we saw more people who couldn't afford to top up their prepayment meter (PPM) than the whole of the previous ten years combined.

"2023 has been even worse. We've already helped more people who can't afford to top up their prepayment meter than in the whole of 2022." – Citizens Advice Cymru

You can read the full report [here](#).