



One year on:

Prepayment meters, internet access and self-disconnection.

Energy use is essential for health and wellbeing. For those who cannot afford it, there is no adequate substitute – they will sit in cold, dark homes, without hot food or water. It is a desperate situation, of which CAP’s home-visiting service provides a snapshot. This is the stark reality in which hundreds of thousands of households find themselves across the UK and it is just a glimpse of the hardship that, for many, extends over several years, until they get the help they need.

Published in December 2015, *The poor pay more: Prepayment meters (PPM) and self-disconnection* revealed the distressingly high scale of self-disconnection taking place¹. There have been many positive developments in energy policy and energy suppliers’ practices over 2016 and into 2017 (p4). This briefing aims to help inform discussions that continue to take place, providing an update from a follow-up survey of 938 clients conducted over Autumn 2016.

This new data shows that self-disconnection remains a pressing issue, affecting one in two (53%) PPM users in financial difficulty (p2). PPM users also continued to be significantly more likely to restrict their energy use than those on other payment methods. Those with at least one key support issue were more likely to be severely restricting their energy use compared to other PPM users (p3). This survey also explores the extent to which digital exclusion acts as a barrier to increasing the engagement level amongst PPM users in the energy market (p3).



Client story: Christine

‘I had a PPM put in for the electricity and gas, but I couldn’t always afford to top them up. There were quite a few times when I couldn’t put the gas on in the winter. We sat in jumpers and blankets with no heating or hot water.’

One time, my daughter needed the toilet and she told me the water in the toilet was frozen! That winter it was really bad. I would miss being able to have the gas on but I needed to scrape together enough to have electricity for cooking, even though we could only afford to eat beans on toast’



70%

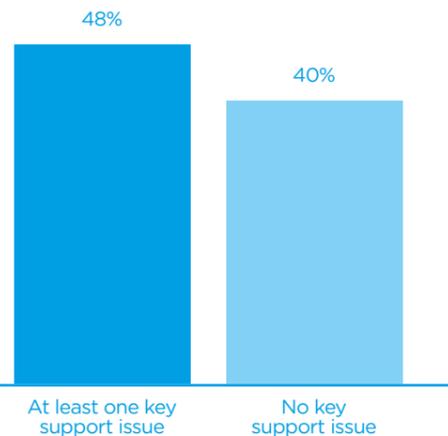
Seven in ten respondents with a learning disability or who are housebound use a PPM.

Where we are:

The figures

Consistent with the original research, around two in five (44%) of the sample used a PPM, and those reporting one or more key support issues suggestive of vulnerability were 20% more likely to use a PPM than those without a key support issue.

Proportion of PPM users with key support issues²



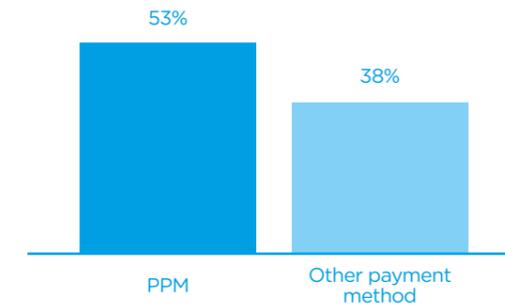
Self-disconnection

At just over half (53%), there was also no improvement in the level of self-disconnection reported amongst PPM users.³ PPM users remained significantly more likely to have self-disconnected compared to those paying by other payment methods, with PPM users 40% more likely to report having gone without heating for a week or more in winter months.

Examining the dynamics of coping strategies and responses to being unable to top-up gives a clearer picture of the extent of hardship. For instance, it is important to note that, despite 47% using their heating for the whole month, these respondents were self-rationing in other ways. Seven in ten (67%) reported they had sacrificed meals as a result of their financial difficulty. This shows that self-disconnection expressed in cutting back in a variety of ways is experienced more widely than energy use suggests in isolation.

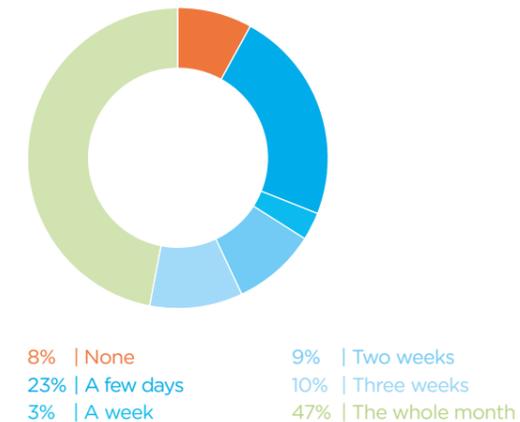
Although self-disconnection is more prevalent amongst PPM users, it is also worth noting that nearly four in ten (38%) respondents using other payment methods were also unable to heat their homes over winter without disruption. It is important to recognise that policy is needed to address energy affordability more generally, but that those on PPMs need particular attention due to the nature of their payment method meaning they are typically off the radar.

Proportion self-disconnecting by payment method



Winter heating usage by PPM users

How many days in a month did you use your heating?



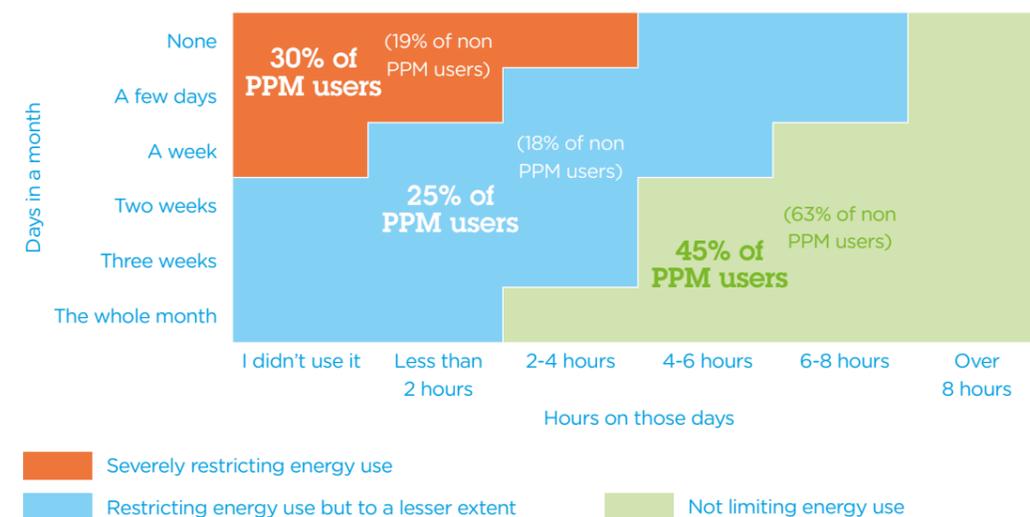
50%

One in two PPM users had gone without heating for at least one week over winter.

8%

8% of PPM users had not used their heating at all over the winter.

Winter heating usage by days and hours



1 | CAP's full *The poor pay more: Prepayment meters and self-disconnection* report is available at capuk.org/poortpaymore.

2 | Key support issues include being housebound, having a learning disability, mental ill health, physical disability, serious or terminal illness and being temporarily or permanently unable to work.

3 | Self-disconnection occurs when a consumer using a PPM experiences an interruption to their energy supply due to the card or key not being charged. Going without heating for one week or more over winter due to financial difficulty has been used as a proxy for self-disconnection.



A full picture of self-disconnection

In practice, a combination of self-disconnection and self-rationing takes place. The graph at the bottom of page 2 contrasts the number of days a month with the hours heating was used on those days, and reveals PPM users were 50% more likely to be limiting their energy use compared to other payment methods (55% restricted their energy use compared to 37% of non-PPM users). The largest difference is the proportion severely restricting their energy use (30% compared to 19%).

From this data, there is also a clear cluster of respondents (21%) who used their heating for less than four hours a few days a month. These respondents display a pattern of 'partial-disconnection', typical of those who top-up a small amount each week but not enough to provide uninterrupted supply. It is this group who are under the radar based on current self-disconnection monitoring criteria.

Looking in more detail at PPM users also reporting one or more key support issues suggestive of vulnerability finds that, while this group of respondents was not more likely to be limiting their energy use than other PPM users, the extent to which they did so was more likely to be severe. 36% of this group compared to 23% of the respondents using a PPM were severely limiting their energy use, making them 57% more likely to be doing so.

Internet access

Internet access is a key component to getting the best energy deal, yet over a quarter (29%) of respondents with a PPM either had no internet access or limited public access at a local library or similar. This was 17 percentage points higher than Office of National Statistics (ONS) figures, which report that in 2016 just 11% of households lacked internet access.⁴

Considering the strong emphasis on switching, these figures show that there is a significant segment of the market that lacks access and the ability to engage digitally with the energy market. This is pertinent as, regardless of payment method, not being on the best fuel tariff is the largest contributor to the average cost of the poverty premium experienced by low-income households (48%).⁵ To address this poverty premium, it is not enough to bring prepayment tariffs in line with standard variable tariffs (SVTs) for Direct Debit customers. The ability to switch to the cheapest tariff also needs to be factored in to which lack of internet access is a key barrier.

Proportion of PPM users with internet access
Do you have internet access?



21% | No
8% | Yes - at local library or similar
12% | Yes - smartphone only
14% | Home and smartphone
45% | At home



21%
One in five PPM users do not have internet access.

50%
PPM users were 50% more likely to be limiting their energy use.

Where we are: Identifying and responding to self-disconnection

Over the course of 2016 and into 2017 there have been many positive developments in energy policy. This has included the Competition and Markets Authority (CMA) introducing a transitory price cap on PPM tariffs ahead of full smart meter roll out. The introduction of Energy UK's improved standards for PPM customers and changes made by Ofgem to improve and promote the Priority Services Register (PSR) and Debt Assignment Protocol (DAP). Despite this progress, there is more to be done to address the hardship experienced by those on PPMs.

Several energy suppliers have also engaged positively with *The poor pay more* findings and taken further steps to improve their offerings for vulnerable customers. A particular area of concern is whether adequate support is offered to PPM users who are self-disconnecting, and part of the challenge is identifying those who fall into this category. These highlights are examples of initiatives from two companies that demonstrate progress in this area. These initiatives could be emulated more widely and built upon to identify and prevent self-disconnection more effectively.

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E.ON was one of the first energy suppliers to offer a smart prepay option. Customers with a smart meter in prepay mode can sign up to receive free text and email alerts when their balance reaches a certain amount, as well as to receive a low balance alert when they go below £2. As customers can top-up by phone, online and through the E.ON app as well as in store, these top-up reminders mean that E.ON knows that those whose balance hits £0 are likely to be in vulnerable circumstances.

In 2016, E.ON set up a process to proactively call customers, whose preferences allow, when their balance hits £0, to see if they need extra support. They have found this process has enabled them to identify more customers in vulnerable circumstances who have self-disconnected. Where this is the case they are able to help get the customer back on supply through adjusting payment arrangements, discretionary top-ups, and offering them the wider support they need through the PSR, energy efficiency advice, the E.ON Energy Fund, and by referring to debt advice. E.ON also has a home-visiting team who can visit customers in exceptionally vulnerable circumstances identified through this process.



In 2014, British Gas set up a process to address self-disconnection. They do this by making proactive contact with customers on the PSR or in financial hardship, who have not topped up their meters for 28 days. An additional process is also in place to contact customers before they run out of energy, in cases where there is potential financial vulnerability and payment data shows signs that the customer is struggling (by topping up significantly less each month). British Gas also notes that the introduction of smart meters, which will bring a near real-time view of customers' consumption patterns, will allow them to form new processes to keep customers safe and on-supply.

British Gas attempts contact by phone and letter, as well as visits where customers are off-supply. If, through these processes, British Gas uncovers customers that need help, they will put them back on supply, whilst also looking to secure an enduring solution. This is through the many schemes and referrals British Gas has in place, including reduction of payment arrangements, discretionary credit, energy efficiency advice, the Warm Home Discount (WHD), British Gas Energy Trust (BGET), and referring to Citizens Advice, amongst others. In 2015/16 British Gas continued to improve and invest in this process, increasing the number of customers benefiting from 149,000 in 2014/15 to over 366,000.

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4 | ONS (2016) *Internet access - households and individuals: 2016*, available at <http://bit.ly/2kiOQsM>.

5 | Davies, S., Finney, A. and Hartfree, Y. (2016) *Paying to be poor: Uncovering the scale and nature of the poverty premium*, available at <http://bit.ly/2kLNgx9>