



Making a positive difference
for energy consumers

Rachel Reeves MP
Chair of the Business, Energy and Industrial Strategy Select
Committee
House of Commons
London SW1A 0AA

Email: chair@ofgem.gov.uk

Date: 26 February 2020

Dear Rachel,

British Gas prepayment meter customers

Thank you for your letter of 11 February 2020 and the concerns you have raised relating to the recent decisions and operational changes made by British Gas. This letter responds to those concerns and addresses the specific questions you have raised.

You asked for information about two separate but related decisions recently taken by British Gas, which have had an impact on prepayment meter (PPM) customers. These decisions were (1) to switch from PayPoint to PayZone (fully ceasing PayPoint on 31 December 2019 and switching to PayZone on 1 January 2020), and (2) to increase the minimum PPM top up value from £1 to £5 on 1 January 2020.

You will be aware that since your letter British Gas has announced that it will return to a £1 minimum top up value. Nonetheless, we have been concerned by reports of poor customer experience as a result of how British Gas has handled these changes.

As a result, following our engagement with British Gas in recent months, we opened a compliance case into how British Gas has handled these changes in January (which we have now made public), and in particular the impact on vulnerable customers.

Q1. Was Ofgem consulted by BG in the run up to its decision to increase the minimum top-up amount for fuel payments from £1 to £5 and to remove customer access to PayPoint terminals?

We became aware of British Gas's proposal to stop using PayPoint in late July and raised the matter with them during a regular meeting with them in August. In early December we became aware of British Gas's decision to change the minimum top up from £1 to £5. British Gas later confirmed that this was the case.

Q2. How many meetings, if any took place between Ofgem and British Gas ahead of the decision being taken? What representations, if any, did Ofgem make in relation to this decision?

We have had approximately 15 separate interactions with British Gas on these issues, including face to face meetings, on the phone and via email. This engagement has primarily been through Ofgem's Head of Retail Compliance and Ofgem's Director of Conduct and Enforcement, reflecting the priority we have placed on it.

We became aware of British Gas's proposal to stop using Paypoint in July. We closely engaged with British Gas and other industry participants to help ensure the transition was as smooth as possible. In our engagement with British Gas in December on the top-up amount we stressed the importance of ensuring customers were not caught off guard by the change, and that the supplier appropriately managed risks associated with the increased minimum top-up value.

Q3. Has Ofgem undertaken any assessment of how the decision taken by British Gas may impact its most vulnerable customers? To what extent does Ofgem consider the decision made by British Gas to be commensurate with trying to reduce the risk of self-disconnections and self-rationing?

We have strong rules in place requiring suppliers to take steps to identify vulnerable customers, and to meet the needs of these customers. In particular, suppliers have a number of licence obligations requiring them to treat customers fairly and also to have particular regard to vulnerable customers. When taking such decisions suppliers must ensure they comply with these obligations. We also have clear guidance on the steps a supplier must take to ensure it is safe and practicable in all circumstances for a customer to use a PPM. When a supplier undertakes significant operational changes that could impact its customers it is vital that it takes appropriate steps to manage risks, including informing customers of the changes and providing appropriate support throughout. This is especially important where vulnerable customers are involved.

Despite closely engaging the supplier before these changes went live, we quickly became aware of a variety of issues which arose and have been concerned that these issues may have led to poor customer outcomes. In early January we opened a compliance case into how British Gas handled these changes.

We have held British Gas to account and asked them to explain their decisions, analysis and risk assessment of the impact these actions would have on customers. We will assess whether it took appropriate steps to identify and manage key risks. Where we see evidence of existing or potential consumer detriment we follow up with suppliers and take action as required.

Q4. Will you be challenging the decision made by British Gas? If not, why not?

As set out above, we have strong rules in place relating to the fair treatment of vulnerable customers and setting out our specific expectations for PPM customers. Our compliance engagement will focus on whether the actions or inactions of British Gas led to poor customer outcomes.

We are particularly interested in the supplier's risk management and consumer engagement, including communications and support provided before and after decisions that could materially impact customers. We have been concerned by reports of poor

customer experience as a result of British Gas's changes. It would not be appropriate to comment further whilst we have open regulatory engagement with the supplier.

Q5. What powers does Ofgem have to stop other companies following suit? Will Ofgem be taking action to prevent this from happening again?

In addition to the strong rules set out above, publishing details of the compliance case into British Gas sends a strong signal to all other suppliers about the importance we place on treating customers fairly, including the importance of managing risks and having due regard to the impact of major operational decisions on vulnerable customers in particular.

We will continue to closely monitor the experiences of PPM customers and engage with suppliers where we have concerns with their approach. We will continue to engage with suppliers to help ensure vulnerable customers can effectively manage their energy supply. This may include compliance or enforcement action where appropriate and within our powers. We will also send a letter to all suppliers making our expectations clear.

Q6. When will your final proposals on helping to reduce the risk of self-disconnection and self-rationing be published?

We expect to publish our final proposals on self-disconnection and self-rationing in March 2020. This will be an update on our policy proposals that we consulted on last year. The policy proposals included a focus on identification of self-disconnection by suppliers to ensure customers are provided with appropriate support in the event of a self-disconnection, formalising existing practices in the market (emergency, friendly and discretionary credit), and strengthening existing protections for customers in financial difficulties. We expect the final package of consumer protections to come into force later this year.

We hope the above has adequately addressed the questions you raised in respect of British Gas's recent operational changes.

*Yours sincerely,
Mark*

**Martin Cave
Chair**

