

Response to Competition and Markets Authority proposal for a cap on Prepayment Meter tariffs

We are responding to your announcement on 11 October 2016 that you intend to impose a cap on prices charged to customers using prepayment meters (PPMs) for their energy, which will reduce the energy costs by around £75 per year. You say, "**It is unacceptable that four million households on prepayment meters, many of them vulnerable, face higher bills than other energy customers**".ⁱ Yet the cap you propose would leave PPM customers still paying much more for their power. We believe this proposal is discriminatory, unjust and unjustifiable. The higher charges imposed on PPM customers act as a tax on poverty. Instead, prepayment customers should be offered parity with customers paying by direct debit, and should be compensated for their many years of paying extortionate prices, during which many people have gone cold, and many have gone hungry in order to keep the meter fed.

Our reasons are as follows:

1. You found that the cheapest tariffs for prepayment meter users are £260 - £320 a year more than for direct debit customers, averaged out, in your March report, at £300 per year per customer. A cap reducing this by £75 is unacceptable. Even if, as you claim, PPMs cost more to administer, your proposal would still allow suppliers to take in an extra £160 profit per year from each PPM customer.
2. Prepayment meter users are usually the worst off customers, financially. By your own report, they are most likely to "have low income; have low or no qualifications; have a disability; and live in social housing."ⁱⁱ It is regressive, unjust, and dangerous to health to make the people who have the least resources pay the highest prices for their energy.
3. Fuel Poverty Action is constantly being contacted by people who are being pushed onto a prepayment meter against their will, or who already have one and are in despair over the high cost of their energy, the high rate of debt repayment, or the difficulty of accessing a meter or a payment point. The hard realities of their dealings with the energy suppliers make a mockery of the protections that are officially in place to protect people who are vulnerable financially and in other ways. Your deliberations should not be based on what is supposed to happen but on what happens in practice. The high price paid for energy through prepayment meters is even worse in the context of brutality, illegality, high standing charges and debt repayment rates. Please see brief personal testimonies, attached.
4. Prepayment meters are often forced on customers because of arrears, or the fear of them. At one end of the scale are people who choose a PPM "to help them budget" because cash is so short that they cannot afford to risk using energy according to their needs. At the other extreme are people whose homes are broken into to impose a PPM after they go into arrears - a violent and traumatic experience for people whose lives are already difficult. In between are the millions who move into a rented home where they have no choice, or who are pressurised onto a PPM because the energy company fails to properly explore all other options for paying off a debt.
5. It is counter to natural justice that people in arrears should be forced onto a system of payment which is more expensive.
4. Prepayment meters are not supposed to be installed unless it is "safe and reasonably practicable" for the

customer to use them, and to top up their key or card. The necessary checks are often ignored, magistrates do not study cases closely, and the meters are often imposed on people for whom they are dangerous, because they are not physically able to top up, or because they are in danger when the power goes off.

5. The higher rate of exploitation of PPM customers acts as a perverse incentive to suppliers to push customers onto this means of dealing with arrears, instead of exploring ways to help their customers and treating a PPM as they are supposed to - as a last resort.

6. Vulnerable customers are protected from having their power disconnected, at least in the winter and in many cases all year round. Yet PPM users are in effect disconnected all the time. When they cannot afford to top up, or are unable to get to a payment point, the power clicks off and they end up cold, in the dark, without refrigeration for food or medicines, and unable to charge their phones.

7. Getting to a payment point can be a real problem for some customers, and is time consuming and extra work for all. It can also be expensive, especially in rural areas.

8. In addition to the extra premium on their payments, many PPM customers have to pay warrant costs for installation, some still have to pay other installation costs, and they are more likely than other customers to have repayment rates for arrears they have run up on credit meters set at a level that they cannot afford.

9. You calculate the extra cost to companies of administering PPMs, mostly caused by administering the payment points in shops, at £63. We note that you originally calculated the difference at £54, but raised it under pressure from the Big Six energy companies.ⁱⁱⁱ

10. The arguments advanced by suppliers are highly revealing; you yourselves admit that they are "not robust." For instance, the inclusion of bad debt as an extra cost of PPMs when the debt was necessarily incurred before, not while using the meter, or counting emergency credit as "bad debt". One company said cost differential was higher because PPM users more likely to be disabled or single mothers so more likely to be on the Priority Services Register for vulnerable customers (PSR)! The idea that vulnerability is a reason for higher charges should set alarm bells ringing. So should the use of fatuous arguments to justify higher prices. This is a clear sign that customers are being ripped off -- in defiance of clear regulations stipulating that there must be no price discrimination according to method of payment.

11. There appears to be little weight given to the fact that PPM users' payments are made up front. Like Direct Debit payments, they never require chasing. There is no need for meter readings and no need for bills, and in addition, the cash is advanced to the supplier before the power is used.

12. The technical arguments you advance as a reason for your very little cap, a cap which only slightly dents the poverty premium, will not make sense to the millions of PPM customers, nor to anyone concerned with ending this injustice. You talk about "perverse incentives" if the cap were to be set too low, and the need for headroom to allow suppliers to compete beneath the level of the cap while still earning a normal rate of return".^{iv} This appears to promote a hope that in practice companies will price lower than the cap, to be competitive. But you must know this is unlikely to happen. For years you have attempted to make competition work in the energy market (doorstep selling / no doorstep selling / doorstep selling again; multiple tariffs / a few simple tariffs / multiple tariffs again). In the domestic energy market, competition does not work. And for PPM customers in particular, it cannot work: it is difficult and often impossible for these customers to switch supplier. What is needed is a publicly owned and accountable energy industry, and failing that, stringent Government regulation to prevent profiteering at the expense of people's lives. This could begin with a cap that brings PPM users into parity with their better off neighbours who can pay their bills by Direct Debit.

13. You calculate that in 2014 suppliers made £2 billion more profits than they would have if the market were working as it should.^v That winter 15,000 people are estimated to have died because they could not afford to heat their homes.^{vi} This is not acceptable to the public.

Other organisations have endorsed this response:

[Plymouth Energy Community](#)

[SELCE](#) (South East London Community Energy)

[Lambeth Green Party](#)

[Barnet Green Party](#)

[Switched On London](#)

Single Mothers' Self-Defence

[WinVisible](#) (Women with visible and invisible disabilities)

Women of Colour in the [Global Women's Strike](#)

English Collective of Prostitutes

All African Women's Group

[UNISON](#)

Payday men's network

[DPAC](#) (Disabled People Against Cuts)

Lambeth Asian Centre

Greater London Pensioners Association

Reclaim the Power

National Right to Fuel Campaign

Fuel Poverty Action
11 November 2016

- i. Roger Witcomb, chair of the energy market investigation, <https://www.gov.uk/government/news/next-step-towards-300m-saving-for-prepayment-energy-customers> 11 October 2016
- ii. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/531204/overview-modernising-the-energy-market.pdf para 18
- iii. <https://assets.publishing.service.gov.uk/media/576bcc08ed915d3cfd0000b9/appendix-9-8-analysis-of-costs-by-payment-method-fr.pdf> para 147.
- iv. <https://assets.publishing.service.gov.uk/media/576c23e4ed915d622c000087/Energy-final-report-summary.pdf> para 248
- v. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/531204/overview-modernising-the-energy-market.pdf
- vi. Excess winter deaths in 2014 – 15 estimated to have been caused by cold homes numbered 15,000 in the UK.