25th November 2013

Sir Robert Smith MP
Energy and Climate Change Committee
Committee Office
House of Commons
7 Millbank
London
SW1P 3JA

Dear Sir Robert

Thank you for your letter of 5th November, requesting further information as part of your recent inquiry into energy price rises.

You asked several questions on prepayment meters and self-disconnection and I have attached detailed answers in an appendix to this letter. As requested, I have also provided further information on the steps we are taking to assist prepayment meter customers with low gas usage, in the context of changes made as a result of Ofgem’s RMR.

We are acutely aware that some of our customers struggle to heat their homes and pay for energy, especially over the winter months. As I recently highlighted to the Committee, British Gas takes this issue very seriously and we ensure that our customers are regularly monitored. As I have outlined in further detail in the appendix, we also have robust processes in place to ensure customers who are in debt, or considered vulnerable, do not self-disconnect.

Alongside answering the questions you raised, I thought it may also be useful to highlight that for many of our customers, prepayment meters are a lifestyle choice. Whilst it is clear that prepayment meters offer an important way for consumers to manage their debts, a 2013 survey of our customers revealed that the main reason that customers are on prepayment meters is to avoid large bills. An analysis of our prepayment meter accounts shows that just 8% of our prepayment meter customer base are currently repaying a debt.

I hope this information is helpful. Do let us know if you would like anything further or would like to discuss the contents of this letter.

Yours sincerely

Ian Peters

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ANNEX

Q1. Do you monitor accounts where a prepayment meter customer has not topped up and/or paid for credit on their prepayment meter (vended) for a certain period of time?

We monitor all prepayment meter accounts and we have robust processes in place to ensure that action is taken when vulnerable customers, or those in debt, appear to have self-disconnected.

Vulnerable customers

Analysis of our data shows that 20% of our prepayment meter accounts are considered to be vulnerable. We ascertain vulnerability in a number of different ways. Customers eligible for the Warm Home Discount and elderly customers are automatically flagged as vulnerable, along with those who have special service needs, such as a disability. We also take into account financial vulnerability and highlight those customers in receipt of certain benefits, or on very low incomes.

We have recently introduced a new process referred to as OSCAR (Off Supply Customer at Risk) to track vulnerable customers’ consumption and vending patterns during the winter months. This enables us to accurately determine if the customer has run out of energy.

If we suspect that this is the case, we attempt to call, send letters and finally visit these customers. We then take a number of actions, depending on the customers’ circumstances, to ensure a continuous supply. These actions are outlined in question 6.

Debt customers

Where customers are not suspected of being at risk and are repaying a balance we carry out a slightly different process.

Here we attempt to make proactive contact (via phone, letter and visits) 90 days after the last vend. If at any stage we discover that these customers require extra assistance to stay on supply, we will ensure the customer is highlighted on our system as vulnerable and treated in line with the process for vulnerable customers.
Q2. If monitoring arrangements are in place, at what stage do you investigate further – 30 days, 60 days etc? Is this automatically initiated and what action follows e.g. send letter, outbound call etc?

Snapshot surveys of non-vending pre-payment meter customers and ad-hoc visits show that there can be a number of reasons why a customer may appear to have stopped vending. A series of 10,000 visits in 2012 showed that approximately 35% of properties were vacant, 5% had been demolished and we were refused access to approximately 25%. 35% were occupied and we established that there was no cause for concern in the great majority of instances. Where we encountered issues with e.g faulty meters or economic hardship we acted immediately. To this end, we only investigate further when the customer is vulnerable or repaying a debt.

We analyse vulnerable accounts on a weekly basis. When we consider customers have run out of energy, they then have 28 days to vend before the ‘vulnerable’ self-disconnection process (OSCAR) begins and we investigate further. Before we implemented this policy, we ran various trials to establish the best time for initial contact. The results showed that 28 days was optimal, but we continue to keep this under review.

Contact is attempted using the following process:

- **Stage 1** – Outbound calls
- **Stage 2** – Letters
- **Stage 3** – Visit

If a customer confirms they are having difficulties topping-up, we will at that point offer assistance on a case by case basis, choosing which treatment would be best suited to the circumstances (see question 6).

Our process for debt customers, who are not flagged as vulnerable, comes into effect if no payment is received on a customers’ account within 90 days of the last payment. The current process is as follows:

- **Stage 1** - Letter
- **Stage 2** - Letter
- **Stage 3** - Outbound call
- **Stage 4** - Visit

We believe that the combination of vending patterns and consumption data provides a more accurate picture of self-disconnection, than vending patterns alone. As a next step, we hope to align the OSCAR and debt processes, so debt customers are contacted when we suspect their supply has run out, rather than when they last purchased energy.
Q3. How many customers have not topped-up and/or paid for credit for their pre-payment meter for more than 30 days in each of the years: 2008, 2009, 2010, 2011, 2012, 2013? Of these customers, who have not topped-up and/or paid for credit in their pre-payment meter, were there seasonal variations of self disconnection?

Unfortunately we do not hold all the relevant data requested by the Committee and we can only provide information from May 2011.

**30 day period**

![Graph of Gas](image1)

![Graph of Electric](image2)
The first two graphs show Gas and Electricity accounts that have not been topped-up for 30 days. It is worth noting that these figures do not necessarily represent customers who have self-disconnected.

We have also included figures for customers who have not topped up after 90 days. A comparison of both sets of graphs shows that whilst the seasonal trends are the same, the peak figures are considerably lower after 90 days. If customers were self-disconnecting after
30 days, we would expect the peak figures to be similar. As mentioned in question 2, we also believe that approximately 35% of non-vends are because the property is vacant.

Both graphs show a clear seasonal variation. The large increase in electricity customers who did not top-up in spring 2012 and 2013 is attributable to the receipt of Warm Home Discount credit.

It also stands to reason that over the summer months customers will go for longer periods without topping up. Research from the University of Cambridge and British Gas in 2013 highlighted that the majority of customers on prepayment meters say they do not top up the same amount all year round, choosing not to build up credit during the warmer months to help cover winter use.

The graphs also provide information on customers who are on prepayment meters and repaying a balance. In addition to highlighting similar seasonal trends, this information also demonstrates that the vast majority of our prepayment meter customers are not repaying a debt.

All prepayment meters have an emergency credit function, which the customer can opt to use when the meter has run out of credit. Whilst this facility is intended for emergencies, we believe that it is often used for convenience and as an interest free overdraft.

Unfortunately historic data is not readily available and will take longer to collate. However, in October 2013, c.32% of Gas top-ups made by our customers, were made when customers were in their Emergency Credit and c.48% of Electricity top-ups were made when our customers were in their Emergency Credit. As highlighted above, these figures do not necessary indicate that a customer is in an emergency situation. This was confirmed in Consumer Focus 2010 research, which highlighted a tendency to use emergency credit for convenience and as a form of free overdraft.

In addition to the emergency credit function, British Gas also issue emergency ‘wind ons’, or remote access tokens, when customers say they require assistance. The vast majority of these requests will be generated to help customers who have faulty meters, have lost credit, or have recently moved house and need help to get on supply.

**Remote token issue** - a message will be sent to an outlet, for a customer to collect. This is then applied to the meter and will provide credit. The table below shows the number of remote tokens issued in 2013.

<table>
<thead>
<tr>
<th></th>
<th>Gas</th>
<th>Ele</th>
</tr>
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<tbody>
<tr>
<td>Jan</td>
<td>5214</td>
<td>9,151</td>
</tr>
<tr>
<td>Feb</td>
<td>3982</td>
<td>7,896</td>
</tr>
<tr>
<td>Mar</td>
<td>3706</td>
<td>8,444</td>
</tr>
<tr>
<td>Apr</td>
<td>2582</td>
<td>7,527</td>
</tr>
<tr>
<td>May</td>
<td>2604</td>
<td>7,232</td>
</tr>
<tr>
<td>Jun</td>
<td>1778</td>
<td>7,026</td>
</tr>
<tr>
<td>Jul</td>
<td>1386</td>
<td>7,923</td>
</tr>
<tr>
<td>Aug</td>
<td>2071</td>
<td>7,581</td>
</tr>
</tbody>
</table>
Emergency wind on appointments – an engineer will visit the property and wind on the meter. This will usually be when there is a fault with the meter or the customer is unable to collect a remote token. The table below shows data for the number of emergency wind on appointments in 2013.

<table>
<thead>
<tr>
<th>Month</th>
<th>Total</th>
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<tbody>
<tr>
<td>Jan</td>
<td>1021</td>
</tr>
<tr>
<td>Feb</td>
<td>742</td>
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<tr>
<td>Mar</td>
<td>818</td>
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<td>May</td>
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<td>Aug</td>
<td>277</td>
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<tr>
<td>Sept</td>
<td>333</td>
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<tr>
<td>Oct</td>
<td>287</td>
</tr>
<tr>
<td>Nov</td>
<td>369</td>
</tr>
</tbody>
</table>
Q5. Do you have a separate process for monitoring these customers, who have not topped-up and/or paid for credit on their PPM, where the customer has previously made contact stating that they are struggling to keep their meter topped-up/pay for credit or where there is some kind of vulnerability flag on their account?

Yes, this is detailed in questions 1 and 2. We also use this information to prioritise any metering appointments to make sure these customers are seen first by our engineers.
Q6. What steps are taken when a consumer informs you that they cannot afford to top-up and/or pay for credit on their PPM?

We have many possible remedies for customers who may be struggling to top-up their prepayment meter. The steps that are taken will often depend on the customers’ individual circumstances and we have a dedicated team who deal with these customers and take the necessary action to ensure supply is maintained. We also internally review our compliance against our Ofgem Ability to Pay obligations on an on-going basis.

Possible steps include:

- Reducing the value of weekly debt payment arrangements to make the weekly spend more manageable
- Referral to the British Gas Energy Trust to check for eligibility for a grant
- Referral to the Warm Homes Discount scheme and top-up fund
- Referral to our charity partners, including Step Change and Citizens Advice Bureau, who provide debt programmes and run benefit checks
- Emergency wind on/remote token issue
- Installation of a credit meter - where a prepayment meter is not suitable for the customer (i.e. not safe and practicable) they may be changed to a credit meter. Customers can also apply for a meter exchange free of charge should they have no outstanding balance and pass a credit vet.
- Establish whether the customer is eligible for insulation or a boiler replacement through ECO/ Affordable Warmth
- Any vulnerable customer who has no heating will be visited within 24 hours and supplied with temporary heating at no cost
Q7. What plans and support have to be put in place for customers using prepayment meters that are experiencing financial difficulty, particularly in the light of changes to benefits and welfare reform trials?

We are acutely aware of some of the challenges faced by our customers as a consequence of the changes to benefits and welfare trials.

We have received some calls from customers who fall into this category and at this stage we are treating these on a case by case basis. We have a temporary process in place which ensures that these customers remain on supply until they have the ability to vend again. This involves using the remote token process, which gives customers enough credit to keep them on supply until their next award. We are also exploring other solutions and working with Local Authorities in order to provide additional support.

We are fully committed to helping our customers through these difficult times and have proactively engaged with the Department of Work and Pensions (DWP) to attempt to understand what help is available and what level of support our customers are likely to need. We will continue to work with DWP to ensure we are able to review the impact of welfare reform on those customers experiencing financial difficulties and the support we can provide.

Without continued engagement, it will prove difficult to ensure that the right level of support is provided, so it is vital that we continue to work together to help our customers in difficult circumstances.
Q8. Standing Unit Charge – further information

In the letter, you also outlined Consumer Futures’ concern that very low gas users are being affected by the recent implementation of a Standard Unit Charge, as a result of Ofgem’s RMR.

We have written to all our prepayment customers highlighting the fact that a standing charge balance will be built up through a period of self-disconnection.

We have also introduced a policy that ensures customers can be supplied with energy if they cannot afford to repay this charge. In these circumstances, the standing charge debt will be put to the back of the meter, to enable to customer to vend.

If we find customers need further assistance to clear the debt we will then take a number of actions, depending on the customers’ circumstances, including some of the steps outlined in question 6. We will be monitoring this issue over the coming months.