

Dean Lockhart MSP
Convenor, Net Zero, Energy and
Transport Committee

By email only

Date: 19 May 2022

Dear Mr Lockhart,

Thank you for the opportunity to provide evidence as part of your Committee's inquiry into energy price rises on Tuesday 10 May 2022.

As the energy regulator, we take seriously our role to protect the interests of energy consumers. I know that many consumers, in Scotland and across Great Britain, are finding the cost of living increases difficult in these unprecedented circumstances.

Following the oral evidence session, there were a number of areas where we agreed to write to the Committee with further information. I have set these out in turn below.

Deficit fund

Mr Ruskell asked for our views on Scottish Power's proposals to introduce a social tariff or deficit fund which would defer energy cost increases now and recover them over multiple years.

As we explained to the Committee, we recognise the affordability challenge and cost of living increases that many consumers are facing. We are already working with the UK Government to implement their Electricity Bill Support Scheme, which will give consumers £200 rebate on their energy bill in October and recover it over a number of years.

However, further measures of this kind – such as the introduction of a social tariff – really are policy matters for governments, and not decisions for us as a regulator.

Gender data

Ms Whitham asked if we held specific data on the different impacts the energy crisis is having on women.

Evidence from Ofgem's consumer research suggests that women are experiencing greater levels of financial difficulty than men. Ofgem's recent Ofgem's Consumer Impacts of Market Conditions Survey (as of March 2022)¹ concluded:

- three in five women (59%) reported struggling to keep up with household bills and commitments (vs 51% of men), and 9% of women reported falling behind on some or many bills and commitments (vs 7% of men)
- Among those who have noticed their energy costs have gone up recently, 89% of women say this has had some impact on their finances (vs 79% of men)
 - For example, 34% of women say they have had to reduce spending on necessities (e.g. food, clothing, medicines) (vs 27% of men)

We plan to review and update Ofgem's Diversity and Inclusion strategy² in 2022 and as part of that will consider further how best to use our regulatory toolbox to address inequality in consumer outcomes.

Pre-payment meters

Ms Hyslop asked if we required a specific law to allow credit meters to replace pre-payment meters should the customer ask for it.

As I outlined in the oral session, pre-payment meters are used for a number of reasons – by consumers to help manage energy consumption and budgeting, and by suppliers to recover debts where appropriate. Suppliers can install a pre-payment meter but only in specific circumstances where it is safe and practicable for the customer, and we have important protections in place which limit the use of prepayment meters for customers in vulnerable situations.

If a vulnerable customer has a pre-payment meter and wants to replace it with a credit meter then they are eligible for an assessment to check whether a prepayment meter is safe. If the assessment finds it to be unsafe, a credit meter should be installed free of charge. Suppliers are only likely to refuse if the customer owes a debt to the energy

¹ Ofgem's Consumer Impacts of Market Conditions Survey. Sample: GB energy consumers (n= 3,497). Fieldwork: March 2022. [*Unpublished data*]

²[Ofgem Diversity and Inclusion Strategy | Ofgem](#)

supplier and our rules mean suppliers must offer affordable repayment plans that take account of consumers ability to pay.

The smart meter rollout reduces the need to physically replace a traditional prepayment meter. Smart meters can be 'remotely switched' between prepayment and credit mode; this allows for greater flexibility and there are protections in place to ensure suppliers make sure this process is safe for customers.

We would welcome discussing this further with stakeholders to understand their views on the benefits and risks of introducing legal obligations in this area.

Given the magnitude of the challenge facing consumers, in Scotland and across Great Britain, it is important we work closely with stakeholders – such as the Committee and Members, and the Scottish Government – to identify and address the issues facing consumers. To that end, I am happy to discuss further with Members on any of the matters above, if that would be helpful.

I hope this information will be helpful to the Committee. Please do let me know if there is anything else we can provide to assist the Committee.

Yours sincerely,

Neil Lawrence
Director of Retail