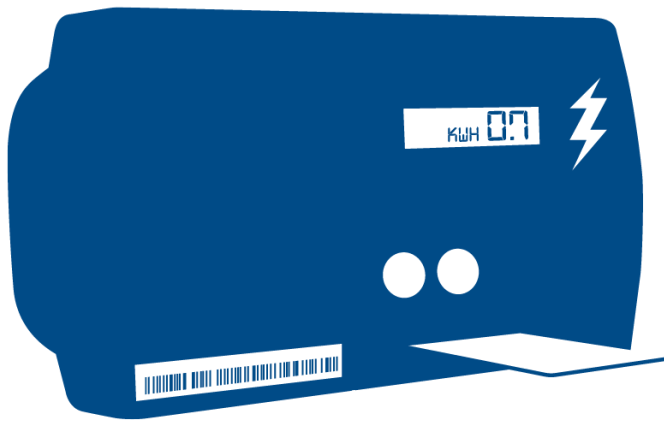


The Future of Prepayment Discussion Paper



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Executive summary

Prepayment in energy has seen major changes over the past few years. There was a turning point in 2023, when clear failures by some energy suppliers and evidence of severe harm led to significant shifts in energy regulation. There are now significantly better protections for prepayment meter users, and changes mean they no longer pay a premium on the price cap. **Our research also shows, historically, they have been more likely to be satisfied with their supplier relative to users of other payment methods. However, satisfaction levels have dropped between July/August 2025 and January 2026¹ and there are also other ongoing challenges.**

The number of people asking us for help with self-disconnections - where households lose their energy supply as a result of not topping up their meter - remain higher than before the energy crisis. There is some ambiguity in current regulation which creates risks for vulnerable customers who choose to prepay, but then struggle to stay on supply. **Self-disconnection can significantly harm physical and mental wellbeing for people in vulnerable situations.**

At the same time, energy debt has risen significantly since the last crisis. The total average arrears for gas and electricity, where there is no arrangement to repay, is now £3,285 - an all time high, and an 86% increase from 3 years ago². The cost of this debt flows through to all consumer bills. Prepayment remains an important option for helping people repay debt - but only where it is safe for them to do so. At a time of rising cost pressures, tackling the rising debt burden and protecting the most vulnerable from self-disconnection are a twin challenge.

The current prepay rules are complex. They provide vital protection for those consumers who need support, but suppliers have expressed concerns that a small minority of consumers who can afford to pay are misusing the prepayment rules.

Changes to Ofgem's regulation, increased data sharing and the rollout of smart meters offer opportunities to improve consumer outcomes:

- Ofgem should establish clear outcomes for prepay in its new consumer outcomes framework, and consider if there's scope for Guaranteed Standards to automatically protect consumers. This could enable Ofgem to simplify other parts of the rules, while ensuring vulnerable consumers are protected.

¹ Ofgem and Citizens Advice (2026) [Energy Consumer Satisfaction Survey Findings Report January 2026](#)

² Ofgem (2026) [Debt and arrears indicators](#) Q4 2025 - the total average debt for gas and electricity where there is an arrangement to repay has reached £1,450 - also an all-time high, and a 60% increase from 3 years ago.

- Suppliers should increase uptake of smart prepay, which can offer a significantly better consumer experience. Suppliers should accelerate their plans to replace riskier traditional meters, and encourage uptake with attractive propositions. Plans to increase use of smart prepay during change of tenancy should improve consumer outcomes, as long as it is easy to move off prepayment if it's not safe.
- A comprehensive monitoring framework that means Ofgem can understand outcomes for consumers who prepay, and take compliance and enforcement action where needed.

Looking to the future, there are a number of questions which must be answered as the energy market becomes more complex:

- As the protection framework has become more robust, should the threshold for requiring suppliers to offer prepay be set at a higher level?
- How can people more easily share sensitive health information with energy suppliers to verify that they qualify for protections?
- How will people who prepay benefit from innovative new products and services as the market develops?

Energy suppliers cannot address the challenges facing prepay customers by themselves. We've called for the Government to provide better targeted bill support, roll out the much-delayed debt relief scheme as soon as possible, and develop plans to support those hit hardest by higher energy prices due to the ongoing conflict in the Middle East.

We explore the challenges of supporting prepayment customers, persistent self-disconnection, and whether existing safeguards provide clear guardrails for firms throughout this paper. We also want to ensure that prepayment remains fit for the future so that energy consumers who prepay can benefit from the energy transition. As more engaged and more affluent customers move into more complex and innovative products, the framework for consumers who prepay is lagging behind.

We want to collaborate with Ofgem, Government and suppliers as they manage the challenges of tackling energy debt and improving outcomes for people who use prepay. Our analysis of the current state of affairs informs the recommendations set out throughout the paper and are summarised at the end.

Methodology

Analysis of data from Citizens Advice and Citizens Advice Scotland's Extra Help Unit	We analysed qualitative and quantitative data from the Consumer Service and the local Citizens Advice network to understand consumers' experiences of prepay and the risks associated with vulnerable consumers being placed onto prepayment meters. We also analysed case studies provided by the Citizens Advice Scotland Extra Help Unit - a specialist service supporting domestic, small and micro-business consumers in vulnerable situations with energy complaints.
Insights from local Citizens Advice Network	We included questions around voluntary PPM switches as part of the Citizens Advice national Network Panel survey in August 2025, for the attention of frontline advisers supporting clients with energy and energy debt related issues, to better understand the circumstances under which consumers agree to switch to PPMs.
Interviews with energy suppliers	In 2025, we conducted four in-depth interviews with large and medium sized energy suppliers to explore good practice around voluntary switching to prepayment meters and to understand suppliers' perspectives on the future role of PPMs in the transition to net zero.
Additional research	We also drew on previous Citizens Advice research where relevant, including published and unpublished research.
Secondary data analysis	We analysed data we gathered from reputable sources and partner organisations.

Introduction

Prepayment meters (PPMs) offer a way for households and businesses to pay for energy in advance. Consumers can top up in person at a local top up point (such as a nearby grocery shop), and via an app, online or over the phone with smart prepay. 9% of energy consumers currently pay their energy through a PPM³, equivalent to around 2.5 million households across Great Britain⁴.

When energy consumers have not paid for their energy consumption in advance, the consumer will self-disconnect.⁵ To help prevent this energy suppliers must provide 'friendly credit' periods over weekends and holidays, and short term emergency credit where debt will build up instead of consumers self-disconnecting. Energy suppliers also have a duty to ensure that PPMs are 'safe and reasonably practicable' for consumers who use them,⁶ and to protect people at risk from self-disconnecting, through proactive outreach and monitoring.⁷

PPMs mean that consumers can keep track of their energy consumption, and many consumers value the increased control and flexibility of their spending. They can be a valuable budgeting tool, allowing consumers to curb spending on energy and manage their finances over a timeframe that suits them personally. Our research has also shown that consumer satisfaction with energy suppliers has historically been highest for consumers who use prepay⁸, though the level of satisfaction has fallen between July/August 2025 and January 2026⁹.

Ofgem has also taken action to reduce the cost of prepayment, and it is now slightly cheaper than direct debit under the current price cap. However, direct debit rates are consistently the cheapest option available in the market over time, and the savings available to consumers on prepay from switching supplier or tariffs remain low.¹⁰

³ DESNZ (2025) [Public Attitudes Tracker: Energy bills and tariffs, Summer 2025](#) Fig 5.3: How household usually pays energy bills, Summer 2023, Summer 2024, Summer 2025

⁴ ONS (2026) [Households by household size, regions of England and GB constituent countries](#) - household numbers from ONS were used to calculate the number of households with prepayment meters

⁵ Energy will be cut off at the meter, and the customer will not be able to use it until the meter has been topped up.

⁶ SLC 28.4

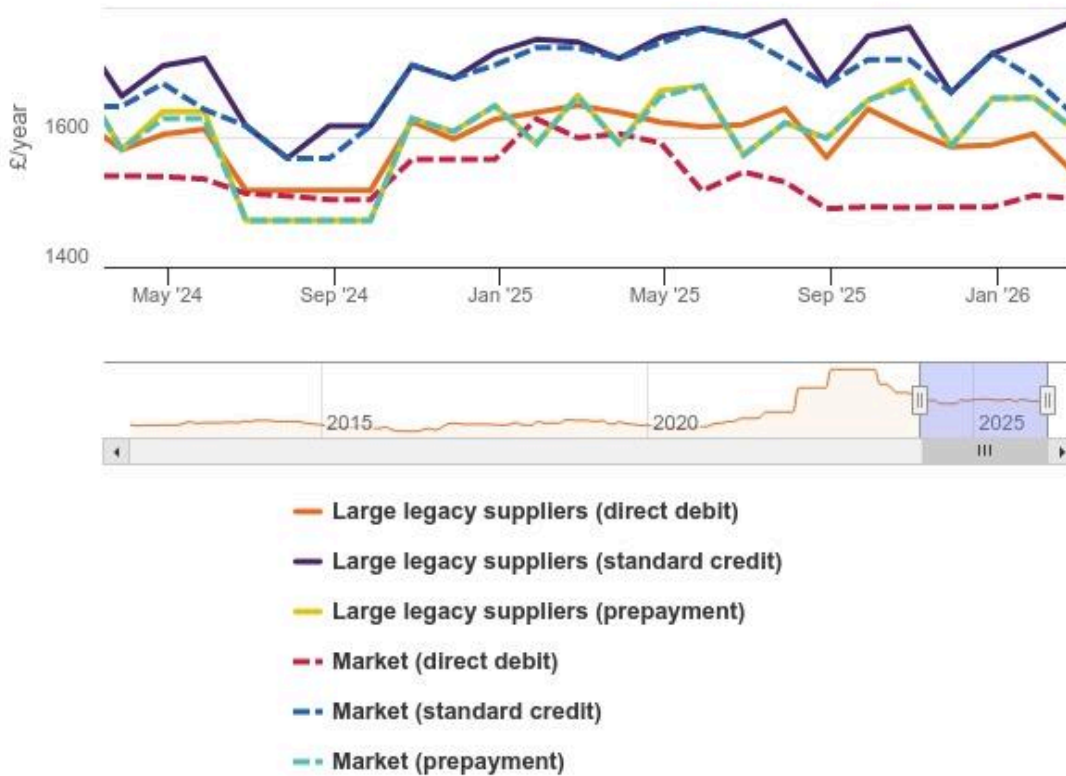
⁷ Under Standard Licence Condition (SLC) 27A

⁸ Ofgem and Citizens Advice (2025) [Energy Consumer Satisfaction Survey: July to August 2025](#)

⁹ Ofgem and Citizens Advice (2026) [Energy Consumer Satisfaction Survey Findings Report January 2026](#)

¹⁰ Ofgem (2026) [Ofgem data portal - Cheapest tariffs by payment method](#)

Cheapest tariffs by payment method: Typical domestic dual fuel customer (GB)



Correct as of March 2026

Record levels of energy debt

As the energy market faces uncertain and challenging times, the level of energy debt in the market continues to rise. Energy suppliers are holding at least £4.5bn in energy debt, and were already projecting further growth,¹¹ before the conflict in the Middle East which will likely exacerbate this impact.

PPMs ensure that consumers pay for their energy usage upfront, and can also be set to make debt repayments each time the meter is topped up. This means they also play an important role in reducing bad debt which contributes to supplier costs and push up costs for all consumers¹².

Average energy debt has risen to exceptionally high levels since the energy crisis, with the total average arrears for gas and electricity, where there is no arrangement to repay, standing at £3,285 in Q4 2025 - an all time high and an 86% increase from just three years ago¹³. Energy UK has warned that without urgent intervention, total debt

¹¹ Energy UK (2026) [Energy debt: Everyone pays](#)

¹² Ofgem (2026) [Energy price cap explained](#)

¹³ Ofgem (2026) [Debt and arrears indicators](#) - the total average debt for gas and electricity where there is an arrangement to repay has reached £1,450 - also an all-time high, and a 60% increase from 3 years ago

could escalate to more than £7 billion by the end of 2026. This would add a further £10-£15 to annual bills over time.¹⁴

In March 2026, Citizens Advice helped 37,828 people with energy and energy debt related issues¹⁵, more than any other cost of living issue area. Consumers are increasingly facing severe financial hardship, with many in negative budgets, seeing growing debt, and fearing income loss.

With 36% of PPM switches being made due to debt in Q1 2026 (January-March)¹⁶, and the amount of energy debt continuously rising, the number of consumers voluntarily switching to prepay may increase over time. PPM use may also increase with the proposed change of tenancy framework¹⁷ and other policies to tackle the energy debt crisis¹⁸. At a time when the government has promised to raise living standards, it is crucial that vulnerable energy consumers on prepay aren't left behind.

Affordability and prepayment

Conditions for customers with prepayment meters are a matter for their energy supplier and must comply with licence conditions. This includes the provision of Additional Support Credit (ASC), which suppliers must consider providing to vulnerable prepayment customers by their supplier when they cannot afford to top up their meter.

ASC prevents self-disconnection, but incurs a debt which the customer owes to their supplier and repays on their meter. Suppliers may not always recover this debt, depending on the circumstances of their customers and their debt recovery practices.

ASC provision can be challenging. Energy which is used must be paid for, and the financial precarity of some customers during and beyond the energy crisis has meant that some consumer groups are unable to afford their ongoing consumption, let alone debt repayments. Some solutions to the conditions for prepayment customers would raise rather than lower the amount of debt which energy suppliers are holding. Since debt is eventually paid for by all consumers through the price cap, we take this possibility very seriously.

Our previous reports on the urgent need for affordability support provided by the central government make clear that we need targeted bill support aimed directly at those who need it most.¹⁹ Given the strong crossovers between vulnerability, financial precarity, and prepayment, we expect targeted bill support to benefit many prepayment

¹⁴ Energy UK (2026) [Energy debt: Everyone pays](#)

¹⁵ Citizens Advice (2026) [Cost of Living data trends](#)

¹⁶ Data provided by Ofgem to Citizens Advice for this report on request

¹⁷ Ofgem (2026) [Tackling energy debt when moving home January 2026 Call for input](#)

¹⁸ Energy UK (2026) [Energy Debt: Everyone pays](#)

¹⁹ For example: Citizens Advice (2026) [Getting Warmer? Why recent progress on energy bills falls short for high-need households](#)

meter users. The current conflict in the Middle East and the impact on energy prices makes the need for targeted support more urgent. We do not expect energy suppliers to make up for the entirety of the ongoing cost of living crisis, but we do expect them to meet their obligations to their customers.

Challenges

Many of the people we support reported receiving limited information about the installation process or how to use the PPM, and some experienced challenges when topping up. Barriers can include technical issues with top-up machines, digital exclusion, and mobility limitations. It can be a difficult process to get their supplier to resolve these issues or even offer support, despite requirements to do so. Some consumers self-ration to avoid self-disconnection, limiting energy use to unsafe levels.²⁰

Smart prepayment meters are significantly safer and more effective than traditional meters because of the wider set of options for topping up and the opportunities suppliers have to recognise vulnerability and respond swiftly to self-disconnection, though some issues remain, as we examine on page 26.

Consumers paying for their energy through PPMs are statistically more likely to be vulnerable. In January - February 2026 our Energy Consumer Satisfaction Survey²¹ found that:

- 59% of PPM users are financially vulnerable²², compared with 39% consumers overall.
- 17% of PPM users have children aged under 5, compared with 13% consumers overall.
- 49% of PPM users reported that they have a disability, compared with 38% of all respondents who disclosed.

Separate research for Citizens Advice conducted by Yonder in 2025²³, found that:

- 14% of people with a prepayment meter have had their energy supply temporarily disconnected because they couldn't afford to top it up - the equivalent of over 450,000 households²⁴.

²⁰ Citizens Advice (2020) [Citizens Advice response to Ofgem's final proposals on self-disconnection and self-rationing](#)

²¹ Ofgem and Citizens Advice (2026) [Energy Consumer Satisfaction Survey: January 2026](#), fieldwork conducted from January 5th to February 3rd 2026.

²² Unable to save, afford an unexpected but necessary expense of over £850, or borrowing more than usual; Ofgem (2025) [What drives consumer satisfaction with energy suppliers](#), page 12

²³ Yonder (2025) Commissioned by Citizens Advice, Yonder conducted a survey in July 2025 of respondents from a nationally representative GB sample of 4364 participants.

²⁴ This figure is based on the number of customer accounts obtained by Citizens Advice from energy suppliers across Great Britain, and prepayment user proportions from Ofgem provided

- 4% of PPM users self-disconnect at least once a week, 14% once a month, and 21% at least once a quarter. Most concerning, 15% of those self-disconnecting were off-supply for over 24 hours.
- 49% of PPM users have had to ration their energy use, such as by reducing the amount of heating and hot water they use and turning off electronic devices.
- 30% of people whose supply has been disconnected have skipped a meal(s).

Higher prices mean the number of households contacting us for support with self-disconnection has risen dramatically over recent years. Our Consumer Service supported 4,644 households with PPM self-disconnections across the final quarter of 2025, 243% more than in the final quarter of 2021, and on average between January and March 2025, the Consumer Service saw 1,530 cases per month. PPM self-disconnections due to affordability remain the most common debt management, affordability or disconnection issue our clients contact us about (making up nearly 60% of these cases). The Extra Help Unit (EHU) supported almost 13,000 consumers across Great Britain with PPM self-disconnections in 2025 - an increase of over 900% on figures from 2019.

While there have been marked improvements since the worst of the energy crisis, the ongoing impact of increases in cost of living is clear. The introduction of new rules and protections by Ofgem has driven progress in addressing the harms associated with PPMs. However, there are still some protection gaps, and further-reaching questions on the role of prepayment in a more innovative and complex energy market.

to Citizens Advice on request. Caveats: This estimate does not take into consideration homes that are off-grid or do not have a customer account for either electricity or gas, nor does it consider homes that only have electricity or gas accounts rather than both.

Prepayment during the energy crisis

During the energy crisis Citizens Advice helped bring to light disturbing cases of mistreatment, often of vulnerable households through our *Kept in the Dark* report²⁵. Some energy suppliers were forcibly installing PPMs in without sufficient prior assessment of vulnerability, safety or practicability. In 2022, suppliers forcibly installed 227,000 PPMs because consumers had fallen behind on their bills²⁶.

Ofgem responded by introducing more prescriptive involuntary PPM restrictions. These protected many vulnerable consumers from inappropriate forcible installation, self-disconnection, and detriment to their health and wellbeing. It recognised that one of the key benefits of these changes was to reduce winter deaths caused by living in cold homes²⁷.

Regulation before and after the prepayment scandal

- **2018** - Ofgem introduced protections for consumers who may have a PPM involuntarily installed under warrant (a court order allowing an energy supplier to enter a customer's home). These protections include a ban on using warrants in certain exceptional cases, as well as a £150 cap on warrant costs.
- **October 2020** - Ofgem introduced requirements on suppliers to identify customers who are self-disconnecting and offer support through emergency and friendly-hours credit, as well as additional support credit to vulnerable consumers on prepay who are self-rationing or self-disconnecting. Ofgem also moved guidance on setting affordable debt repayments into the licence²⁸.
- **September 2022** - Citizens Advice published *Out of the cold?*²⁹ warning of a debt crisis and calling on the government to stop companies forcing people onto PPMs. We followed this report with *Kept in the dark* in January 2023³⁰, exposing record levels of self-disconnection and the subsequent harm to vulnerable consumers, and called for a total ban on PPM installations until Ofgem took decisive action to address safety issues.
- **February 2023** - Ofgem introduced a temporary ban on involuntary PPM installations and opened an investigation into British Gas's compliance with

²⁵ Citizens Advice (2023) [Kept in the dark - The urgent need for action on prepayment meters](#)

²⁶ Based on data from Ofgem

²⁷ Ofgem (2023) [Decision: Involuntary Prepayment Meter \(PPM\)](#)

²⁸ Ofgem (2020) [Self-disconnection and self-rationing: decision](#)

²⁹ Citizens Advice (2022) [Out of the cold?](#)

³⁰ Citizens Advice (2023) [Kept in the dark - The urgent need for action on prepayment meters](#)

prepay rules³¹. In April, Ofgem introduced revised rules on the installation of involuntary PPMs.³²

- **September 2023** - Ofgem published guidance³³ on how suppliers should ensure PPMs are “safe and reasonably practicable”. This included actions that suppliers must take before a PPM can be involuntarily installed, with the aim of minimising harm to vulnerable households, and a ‘Do Not Install’ category for those most at risk. It also required suppliers to assess whether the PPM remains safe and reasonably practicable, including contacting customers at least annually.
- **November 2023** - The moratorium on forced installations was subsequently lifted for some suppliers contingent on meeting certain conditions³⁴. Data we requested from Ofgem shows that there were a total of 289 involuntary installations of prepayment meters for gas and electricity across Q1 2024.
- **April 2024** - Ofgem adjusted (or ‘levelised’) standing charges for PPM and direct debit customers³⁵. This meant prepay became the cheapest payment method on the price cap, though in the market direct debit options remain cheaper.
- **May 2025** - Ofgem introduced a compensation package³⁶ which paid out £7 million to consumers where suppliers did not meet expected standards in relation to involuntary installation of prepayment meters.
- **December 2025** - Ofgem proposed greater use of smart prepayment in homes following a Change of Tenancy where a new account holder has not yet been identified.³⁷ This should reduce debts accrued when new tenants fail to register with their energy suppliers and pay expensive standard credit rates, but is likely to increase the number of households who are prepaying at any given time.
- **May - June 2026** - British Gas agreed a settlement in relation to Ofgem’s investigation of unfair treatment of PPM customers³⁸, including £20m payment to Ofgem’s redress fund, compensation for affected customers, writing off £70 million of energy debt. Ofgem also agreed a settlement with Ovo in relation to inadequate monitoring of prepay consumers, which included a £7m payment to Ofgem’s redress fund and a £3.4 million package of credit and debt relief.³⁹

³¹ Ofgem (2023) [British Gas - PPM Installation Investigation](#)

³² Ofgem (2023) [Involuntary PPM Code of Practice](#)

³³ Ofgem (2023) [PPM Guidance \(Safe and Reasonably Practicable\)](#)

³⁴ Ofgem (2023) [New rules for installing involuntary prepayment meters](#)

³⁵ Ofgem (2024) [Decision on adjusting standing charges for prepayment customers](#)

³⁶ Ofgem (2026) [Market compliance review: prepayment meter installations](#)

³⁷ Ofgem (2025) [Tackling energy debt when moving home](#)

³⁸ Ofgem (2026) [British Gas agrees settlement in relation to unfair treatment of PPM customers](#)

³⁹ Ofgem (2026) [OVO agrees settlement in relation to monitoring of PPM customers](#)

Accessing support during the 2022-23 energy crisis

During this time the government also stepped in with universal energy bill support for households. This was simple for the majority of households where the support could be automatically applied to their accounts. For prepayment customers with smart meters, the process was largely seamless as their supplier applied the government support to their accounts. For prepayment customers with traditional meters, the process was much more complex.

Under the Energy Bill Support Scheme (EBSS), traditional PPM customers received physical vouchers in the post.⁴⁰ This caused delays in the support being accessed, and for customers who didn't receive or open their post the vouchers were never redeemed. We also saw cases where some customers received incorrect vouchers or codes, or struggled to reach a facility to redeem the voucher. People often found it difficult to get in touch with suppliers, given increased demand on customer services at that time.

While the scheme was generally successful - including in reducing the rate of self-disconnection cases we received⁴¹ - redemption rates for traditional prepayment meters were far below those of other parts of the scheme,⁴² with 1.85m prepayment vouchers unredeemed.⁴³ While some of these were due to vacant properties, we remain concerned that some vulnerable energy customers missed out on vital support.

We're concerned that insufficient lessons have been learned from the energy crisis and similar challenges during the covid pandemic⁴⁴. For example, Ofgem is suggesting that vouchers are one option for traditional prepayment customers to participate in the Debt Relief Scheme, despite low redemption rates previously.⁴⁵ Traditional prepayment meters are still in place at a significant scale, with 30% of PPMs still to be replaced with smart meters as of April 2026⁴⁶. While the smart rollout is aiming to reach all traditional meters by 2030, there remain reputational barriers for smart meters among traditional prepayment users, including the legacy of the forcible installation scandal, high rates of self-disconnection raising concerns for consumers about safety, and increased pressure on suppliers to recover debt.

⁴⁰ Some recipients thought vouchers they received were a scam or junk mail; for others the fact that the voucher had to be redeemed at a PayPoint or similar meant they couldn't physically get there - if for example they usually got one of their dependents to top up their meter.

⁴¹ The Citizens Advice Consumer Service received 21,439 self-disconnection cases across Q4 2022 - Q2 2023 (during EBSS), a 4% reduction compared to the previous year.

⁴² NAO (2024) [Energy Bills support: an update](#)

⁴³ Ofgem (2024) [Ofgem EBSS Final Project Closure Report](#)

⁴⁴ Citizens Advice (2025) [Witness statement of Dame Clare Moriarty on behalf of the National Association of Citizens Advice Bureaux](#), paragraph 60.

⁴⁵ Citizens Advice (2025) [Response to Ofgem Debt Relief Scheme Statutory Consultation](#), page 15

⁴⁶ According to 2026 data obtained by Citizens Advice through PPM Consumer Numbers Request for Information from suppliers

Current challenges and opportunities

Tackling energy debt

Energy debt is a key challenge for the sector. The Debt Relief Scheme developed by Ofgem and the government offers an opportunity to tackle debt built up during the last energy crisis, and re-engage people in debt to arrange repayment for any amounts that aren't eligible for relief. It is vital that this support is now delivered as swiftly as possible.⁴⁷ We're also keen to see improvements to targeted bill support and access to home upgrades to help people on lower incomes better manage their energy bills.

However, we know that any support will not help all those struggling to pay, and that more households may fall into arrears as energy costs increase due to the conflict in the Middle East.

In this context, it is likely that more consumers may consider - or be offered - prepayment by their supplier. There are some benefits for prepay users, who can pay for their ongoing consumption as well as repay debts through an affordable proportion applied to each top up. However, while this is likely to be beneficial in some circumstances, it won't be for all. We are concerned that proposals to move more customers onto prepayment meters have solely focussed on the ability to reduce debt, without measures to improve safety for prepay customers.

Energy suppliers already have a wide variety of tools beyond prepayment meters available to them to engage and support their customers to make debt repayments - including offering affordable repayment plans, signposting and supporting customers to access debt advice (which now includes a specialised energy debt advice service CEDA) and other collections activity. Prepayment meters are not necessarily the only answer to rising debt, especially given the inherent risks they can pose to some consumers.

The need for improvements to the wider debt framework

While prepayment meters have a role in addressing debt, this should sit in a wider framework of support. This includes agreement around debt standards, access to specialist services like our Consumer Energy Debt Advice (CEDA) service, and supplier commitments on vulnerability.

Despite extensive work, Ofgem has been unable to agree a voluntary Debt Code of Practice with all energy suppliers, which could have driven operational improvements in how people in debt are supported by energy suppliers, especially where they are engaging with third party advice services.⁴⁸ We're concerned that the revised approach

⁴⁷ Citizens Advice (2025) [Response to Statutory Consultation on the Debt Relief Scheme \(DRS\)](#)

⁴⁸ Ofgem (2026) [An update on our work to improve suppliers' work with the debt advice sector](#)

suggested by the regulator may not be as effective as specific debt standards, though suppliers have committed to drive improvements through the Vulnerability Commitment⁴⁹.

Ofgem should ensure it keeps a strong focus on supplier performance in this area and intervene if needed, particularly as prices rise. Debt standards can create a solid foundation of support, and compliment the Debt Relief Scheme. The wider debt support framework will also need to evolve to better support households. This includes ensuring that debt advice services like CEDA are integrated with broader affordability and income-maximisation support, and that there is also a strong link with emerging home upgrade schemes.

There are other opportunities to improve suppliers' performance around supporting vulnerable customers and those with debt. For example, supplier commitments should move towards more sustainable and preventative solutions. These could include earlier identification of financial difficulty and more consistent support pathways to avoid inequitable outcomes for consumers.

Ofgem should carefully consider how best to monitor supplier compliance with existing prepayment and debt rules, and their commitments to improve engagement with third party advice providers.

Meaningful action to ensure the existing rules are followed will help build confidence that prepay is a safe method and ensure consumers in debt are receiving the right level of support.

Voluntary prepayment

An Involuntary prepayment meter is defined in the Standard Licensing Condition 28.21 as:

"1. a Prepayment Meter installed by execution of a Relevant Warrant in respect of a Domestic Customer; or

*2. a Smart Metering System switched to a mode which requires a Domestic Customer to pay Charges for the Supply of Electricity in advance when there are Outstanding Charges and the licensee has made attempts to offer alternative payment methods in accordance with SLC 27, relevant notice has been given under SLC 23, and the Domestic Customer has not given explicit Consent for the switch to Prepayment mode; and references to the installation or removal of an Involuntary Prepayment Meter include the switching of any Electricity Meter to or from such a mode."*⁵⁰

⁴⁹ Energy UK [Vulnerability Commitment](#)

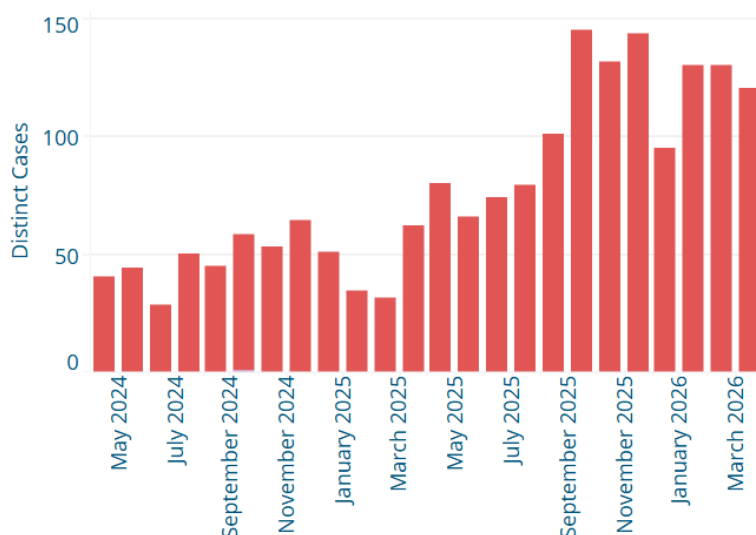
⁵⁰ Ofgem (2023), [Involuntary Prepayment Meter \(PPM\)](#)

Equally important “consent” is about the active consideration of the installation of an involuntary prepayment meter, where a customer has unmistakably given⁵¹.

These definitions are not only critical to involuntary prepayment meters, but should also be considered and weighed in the context of voluntary switches. While new rules have focused on forcible PPM installations, many consumers also voluntarily move onto prepay.

As set out earlier, many consumers have a positive experience of prepayment, and may be able to save money by doing so if they want to stay on a price capped tariff. Where voluntary switches are based on informed consumer choices they should support the attitudinal shift the industry is keen to promote around prepayment. However, they can carry risk if people have poor information or insufficient support from their supplier to understand if prepay will deliver the best outcomes for them and their households.

Where a consumer is voluntarily switched to a PPM for debt, other potential solutions, such as different tariffs⁵², alternative payment methods⁵³, repayment plans and signposting to debt advice services, should be provided by their supplier. However, we have seen examples of non-compliance with these requirements by suppliers, and failures to offer affordable repayment plans are both particularly worrying and relatively common. The Citizens Advice Consumer Service sees around 100-150 cases where suppliers are offering unaffordable repayment plans each month, and this number has increased significantly over the past year.



Some consumers have found it very hard to move away from prepay once they've chosen to move onto it. The Extra Help Unit often supports people who want to change their payment methods but have been unable to reach agreement with their supplier.

⁵¹ Ofgem (2023), [Involuntary Prepayment Meter \(PPM\)](#)

⁵² As required by SLC 31F

⁵³ SLC 27.5

This is more common when they are in debt, and suppliers can block customers from changing payment methods until they have repaid what they owe.

The regulatory framework leaves some uncertainty in relation to voluntary switches. While the licence conditions make the Do Not Install criteria mandatory for involuntary installations, the underlying vulnerability and suitability considerations should remain relevant and properly assessed in the context of voluntary switches.

We identified different views among suppliers about the role of consumer choice, with some feeling that choice should prevail where PPMs are requested voluntarily. Not only can this create risks and safety concerns, it can cause confusion and variation in practice between suppliers.

In addition to inconsistency between suppliers' policies and front line discretion, there also lies safety concerns and risks. We've seen concerning cases of suppliers switching vulnerable consumers to prepay where it is neither safe nor reasonably practicable, and subsequent self-disconnection without resolution. It was only involvement from Citizens Advice or the Extra Help Unit that helped them get switched back to another payment method.

Adam's story

Adam lives alone and cannot work because of his health conditions. He relies on benefits to cover the cost of his bills and basic essentials.

He struggles with his mental health and has a heart condition, requiring a pacemaker and a heart monitor. He also needs to take medication that has to be refrigerated. Because of this, Adam needs a constant source of electricity at home. Adam's supplier was aware of his health conditions and he was on the Priority Services Register (PSR).

Adam struggled to cover the cost of his energy bills, and an outstanding balance of £200 had accrued on Adam's account. A number of attempts to take direct debits earlier in the year had failed due to lack of funds. A conversation therefore took place between the consumer and the supplier's debt team, which led to Adam's smart meter being switched remotely onto prepayment mode, despite the risk that Adam would self-disconnect and lose his energy supply for financial reasons, and this would lead to a high level of harm given his reliance on a constant supply of energy for medical reasons.

With help from the EHU, a priority complaint was raised, and the supplier agreed to switch the meter back into credit mode. They suggested that the PSR had been updated, "taking note of the vulnerabilities, a forced mode change should not take place in future."

Yuri's story

Yuri lives alone and suffers from health conditions that limit his ability to work.

His supplier informed him that he has an outstanding energy debt of almost £1,000. Yuri cannot afford to repay this debt and before he was able to negotiate an affordable repayment plan with the supplier, the supplier remotely switched the smart electricity meter into prepayment mode.

Yuri stated that he didn't receive any warning or site visit prior to this change, and he wasn't aware of any assessment of whether a prepayment meter would be safe or reasonably practicable in his circumstances. Subsequently, Yuri was been unable to top up the prepayment meter and has therefore lost his electricity supply. Yuri contacted the Consumer Service for advice about any sources of financial support that would enable him to get back onto supply.

These cases demonstrate situations where suppliers may not have conducted SRP assessments thoroughly or fairly, overlooking reasons why the consumer could in fact manage the risks of self-disconnection.

Some suppliers have responded to the lack of regulatory clarity by introducing internal policies to refuse PPM switches in voluntary situations where they've assessed that a PPM will not be safe or reasonably practicable.

Suppliers may be overly risk averse in SRP assessments because of unclear guidance around what is safe and reasonably practicable, and suppliers failing to conduct properly tailored assessments which consider safety on a case-by-case basis. Some suppliers believe (based in part on Ombudsman rulings) that they must prioritise consumer choice.

While there are compulsory requirements for suppliers to only install PPMs for consumers in payment difficulty where it is safe and reasonably practicable, there is a lack of clarity within the SRP guidance⁵⁴ around whether suppliers should carry out SRP assessments for voluntary PPM switches.

There are challenging questions to resolve with regard to voluntary prepayment. If the customer wants a prepayment meter but is considered high risk, what should their supplier do?

- a. For example, if the customer lives alone and is medically dependent on a breathing apparatus, should the supplier refuse a prepayment meter?

⁵⁴ Ofgem (2023) [PPM Guidance \(Safe and Reasonably Practicable\)](#)

- b. Is the balance of risk different if the customer has a 2 year-old and indicates they may be unable to consistently afford to top up?

Some have suggested that as long as the customer is aware of the risks to their household then these risks are acceptable, while others have taken a firmer line that prepay should not be installed where these risks exist.

Based on our understanding of Ofgem's compliance monitoring and interviews with suppliers, we've identified other gaps in support for people voluntarily switching to prepay:

- There is no regulatory monitoring of voluntary PPM installations, though SRP assessment processes are subject to randomised supplier spot checks.
- Many suppliers don't have systems in place to assess vulnerability or practicability for voluntary switches in a consistent way, or rely on self-identification at the switching stage. This could mean opportunities to identify vulnerabilities the consumer may not immediately disclose are missed.
- Suppliers inform us that it is not always possible to track patterns, risks or post-switch issues like self-disconnection without the customer self-reporting. Monitoring should be improving significantly with enhanced smart metering, but some suppliers told us that they were only using smart meter data to send automated reminders to top up, rather than offering further support.

As a result, while consumers may choose to switch to prepay, we have seen concerning cases where people subsequently fall through the gaps, including where customers self-disconnect a very short time after a voluntary switch, and are left to seek advice and support from third parties rather than receiving it proactively from their supplier.

Given the different interpretations of current rules and the wide range of approaches taken by suppliers, we think Ofgem should provide further clarification on how these rules apply to voluntary switches. As set out later in this paper, we think there is an opportunity for Ofgem's new consumer outcomes to refocus on existing requirements to ensure prepayment is safe and reasonably practicable in all the circumstances of the case.

Guidance on prepayment installations should clarify that for voluntary installations, suppliers should ensure fully informed consent as part of their safety assessment, based on a clear explanation of the key features of prepayment. They should also ensure consumer comprehension of how they will manage this. Additionally, outcomes should be monitored on an ongoing basis, including the suitability of debt repayment rates, and delays should be avoided in switching a household away from prepayment if it turns out to be inappropriate.

Ofgem should also engage with the Extra Help Unit and Energy Ombudsman to ensure that there is a clear understanding of consumer outcomes across the sector.

Examples of good practice

From interviews with large and medium-sized suppliers, we found that some take a more proactive and holistic approach to SRP assessments, identifying and supporting customers in vulnerable situations before agreeing a way forward.

This includes:

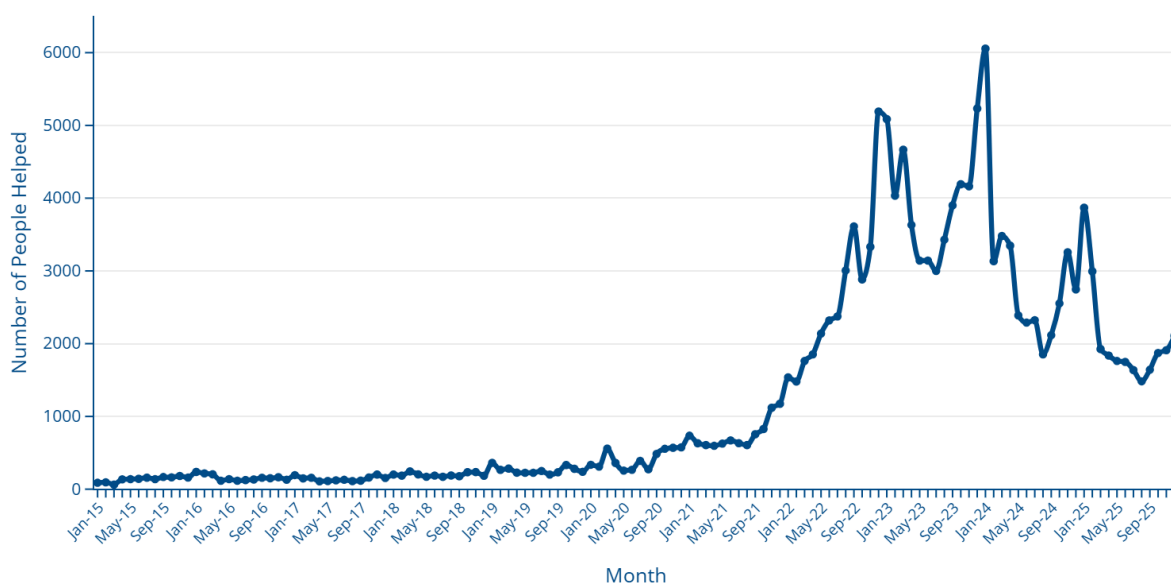
- Identifying proactive and reactive triggers during customer interactions, for example, picking up on references to hospital visits, or hearing a baby crying in the background of a call, and using automated system prompts to encourage follow-up questions where indicators of vulnerability have been identified and recorded. This ensures that do not install (DNI) categories and other relevant vulnerability indicators are not missed.
- Some suppliers also train staff to identify self-rationing behaviours. This can help to ensure that consumers receive support even when they don't explicitly disclose a vulnerability.
- Enabling customers to disclose support needs or vulnerabilities through multiple channels, such as over the phone or online, making it easier for customers to get help when they need it. This also helps suppliers to be aware of any vulnerabilities that may impact the service they receive.
- Some suppliers also record and update vulnerability information on the Priority Services Register (PSR) and, where consent is given, share relevant information with network operators.

Persistent self-disconnection

In 2023 the Extra Help Unit (EHU) supported 26,160 consumers - an all-time high and a staggering 1,942% increase since 2019. This increase was largely driven by rising energy costs, increased costs of living, and the increase in involuntary installations. The total number of people we saw at Citizens Advice who couldn't afford to top up their prepayment meter rose from October 2021. However, from 2025 onwards we have seen a reduction but is still far above pre-2021 rates⁵⁵.

⁵⁵ Citizens Advice (2026) [Cost of Living data trends](#)

The number of people we've seen who can't afford to top up their prepayment meter each month



Persistent self-disconnection is a major concern and can leave vulnerable consumers with dire consequences. In winter, self-disconnection can be very dangerous for health because of lack of heat, and in other seasons, self-disconnection can still mean consumers cannot cook or wash, or children cannot do their schoolwork.

Instances of self-disconnection may represent failures by the energy supplier, where they have not appropriately discharged their duty to support vulnerable people at risk of self-disconnection, or haven't been able to engage the customer early enough to offer appropriate support.

As we highlighted in our 2023 report *Kept in the Dark*:

*'Prepayment meters simply pass off the responsibility for disconnection from energy suppliers to consumers - the impact is the same... condemning many low income households to sit in cold and dark homes.'*⁵⁶

As the impact of conflict in the Middle East threatens higher energy prices and the cost of living, there is a risk that self-disconnection may increase. More broadly, persistent self-disconnection jeopardises plans to enable greater use of smart prepayment, as the potential benefits will be undermined by the severe consequences they can have for a minority of households. As the government, Ofgem and suppliers consider how to reduce problematic debt in the energy market, tackling persistent self-disconnection must be core to any new approach.

There are urgent steps for the government to improve affordability, including better targeted bill support, implementing the much-delayed debt relief scheme and delivering

⁵⁶ Citizens Advice (2023) *Kept in the dark*, page 3

new home upgrade support for low income households as announced in the Warm Homes Plan. Ensuring low income households can access grants to make energy home upgrades will be crucial to lowering bills, reducing the risk of accruing energy debt and raising living standards.

It's also vital that suppliers have appropriate and sustainable support in place. Last year Ofgem 2025 set out concerns that Additional Support Credit (ASC) was being provided without appropriate consideration of the customer's ability to repay.⁵⁷ Some suppliers have since changed their ASC processes in ways which have led to increased rates of self-disconnection. While we agree that inappropriate use of ASC risks leaving people with unmanageable debt, alternative support to reduce costs is vital. This should include assessment of any debt repayments to ensure these remain affordable, and referral to independent debt advice.

We will continue to monitor self-disconnections and suggest approaches which could help to further bring down self-disconnection, including better targeted bill support and debt relief. We will also champion the installation of low carbon technologies that can bring down everyone's bills, including for vulnerable consumers.

Change of tenancy

Analysis by Ofgem and industry has shown that a significant amount of debt is built up as a result of poor change of tenancy processes. This is a result of new occupiers being slow to set up an account with their supplier, and building up debt in the meantime on expensive standard credit rates. The persistence of unnamed energy accounts causes other challenges, by reducing the ability of suppliers to successfully target support like the Warm Home Discount.

Ofgem is working with industry and consumer groups on potential changes to the change of tenancy process. The proposals would mean homes with smart meters would be put into prepay mode during the change of tenancy process. This could be a helpful driver for both the uptake of smart meters, the reduction of debt, and to prompt early engagement by new customers with their energy suppliers.⁵⁸ This is likely to also increase the number of consumers using prepay, even if it is temporary for many, and there is a risk of detriment if consumers are stuck on prepay when it is not suitable.

Before moving ahead with these proposals, suppliers and Ofgem must build confidence that the right protection framework is in place for prepay. This includes being clear that new occupants should be quickly switched away from prepayment mode where it's not suitable, that there'll be good quality monitoring using smart meter data, and redress if things go wrong. Pilots of these proposals should be carried out to understand how

⁵⁷ Ofgem (2025) [Additional Support Credit: our expectations](#)

⁵⁸ Citizens Advice (2026) [Response to Ofgem's Call For Input on Tackling Debt in the Supplier Home Moves Process](#)

they work for consumers. To maximise the benefits of these changes the Government should require landlords to inform suppliers when tenants move out of properties, in line with similar requirements in the water sector.

Promoting prepay as 'pay as you go'

Some suppliers have rebranded their prepayment products as 'Smart Pay As You Go' (PAYG) in order to distinguish the product from traditional prepayment and the legacy of the forced prepayment installation crisis. This has potential benefits in terms of reducing customer reticence to engage with prepayment, especially where the risks to customers from prepayment are low or where they are reluctant to switch to a smart meter. By promoting the benefits of smart, suppliers can reduce riskier traditional prepayment, and enhance access to consumer benefits.

Branding alone will not be sufficient to move past the prepayment scandal without real incentives for consumers to trust prepay. The sector needs to make the case as to why this payment method is beneficial to a range of consumers, not solely based on the collection of debt or managing a small minority that can afford to pay their energy bill, but refuses to do so.

Suppliers can undermine efforts to improve the reputation of prepayment through poor practice and negative customer experiences. Suppliers should ensure that they are getting the basics right from the start, and make sure that the prepayment experience is one which benefits their customers rather than stokes mistrust, and in the worst cases, risks their safety. This should include innovation to create new products and services that appeal to consumers who want to switch payment types to one that works for them and their households.

Using smart meters and data to improve the prepay experience

The rollout of smart PPMs presents an opportunity to improve the functionality and user experience of prepay for consumers. Smart meters represent a step-change in the amount of data consumers and suppliers have access to, which presents an opportunity to better identify where consumers need support, including:

- More transparency over energy use and enabling consumer-led flexibility
- Remote top-ups and alerts when the consumer has low credit
- An easier transition to credit mode if prepay turns out to be inappropriate

Smart meters eliminate the need to physically change meter type between credit and prepayment. Smart prepay tariffs in the market should theoretically be the same price or cheaper than credit tariffs given the lower costs of operating compared to legacy metering systems and action to levelise the cost of prepay. Smart prepay also lays the foundation for flexible tariffs by giving consumers greater control over their energy use, time of use pricing and supporting access to more tailored deals.

Ofgem's 2025 Consumer Vulnerability Strategy⁵⁹ sets out the aim for suppliers to *'prioritise PPM households in vulnerable situations when they are replacing traditional meters with smart meters, where consumers have provided consent so that they can better manage their spend'*.

Interviews with suppliers indicated that some are already using smart data and new technology to proactively provide support to their customers, and many of their interventions - for example to alert to low credit and prompt topping up, or to offer additional emergency credit - have been positively received by consumers⁶⁰. Reviewing consumers' energy consumption and self-disconnection rates should be part of the supplier's ongoing PPM monitoring processes⁶¹, and inform annual reviews that suppliers have with consumers to determine the ongoing suitability of their PPM⁶².

Given the persistently high rates of self disconnection amongst a minority of customers, it is unclear whether all suppliers are using this data in a way that maximises consumer benefits. There is a pressing need for suppliers to better utilise the data they receive

⁵⁹ Ofgem (2025) [Consumer Vulnerability Strategy](#)

⁶⁰ See also Energy UK (2023) [Good Practice Guide: Using smart data to identify and support pre-payment meter customers at risk](#)

⁶¹ SLC 27.A1

⁶² SLC 28.3

from smart PPMs to more effectively support their customers and prevent harm.

Smart DCC - the organisation responsible for handling smart meter data - has a core responsibility to use smart meter data to enable innovation through 'public good' initiatives⁶³. Many of these are focused on using smart PPM data in conjunction with other data sources to map vulnerabilities and drive targeted intervention⁶⁴. Suppliers should understand how this data can also enable them to support customers.

Technical issues with smart PPMs can introduce new vulnerabilities. One area of emerging concern is around new proposals for a small minority of prepayment smart meters to be allowed to operate via a consumer's home broadband rather than the established DCC communications system. If the broadband connection is lost because the consumer runs out of credit, consumers may struggle to reconnect.⁶⁵

The switch off of the 2G signal may also cause some issues. This is exemplified with the switch off of smart meters installed in regions that are unsupported by the telecommunications contractor. This is likely to affect less than 16,000 smart prepay meters in the North Region, of a total 46,000 smart meters which could lose connectivity and functionality until replaced.^{66,67}

These issues risk undermining the credibility of the smart meter rollout and seeing some prepay consumers lose the benefit of smart meters. Lessons should be learned from the switch off of Radio Teleswitching metering about managing vital energy communications infrastructure.

Remote switches to and from - prepayment

With smart meters, suppliers can remotely switch consumers between payment modes. Ofgem guidance does not distinguish between remote mode switches and involuntary installs, and requires that a supplier must 'understand a customer's individual circumstances and offer support in the 3 months preceding any execution of an Involuntary PPM'. This must include at least 10 attempts to engage with a customer using multiple communication channels, and at least one Site Welfare Visit.⁶⁸

Based on data from Ofgem, remote involuntary switches now significantly outnumber physical installations, yet based on the cases we receive it remains unclear whether suppliers are consistently applying the same checks and balances across both methods. Remote switching removes the need to gain a warrant for physical entry. This removes the risk of warrant costs being added to consumer debts, and avoids the invasive nature

⁶³ Ofgem (September 2025), [DCC Review Phase 2](#), page 7

⁶⁴ Smart DCC, [Fuel Poverty White Paper](#), page 9

⁶⁵ Citizens Advice (2025) Response to DESNZ's VWAN consultation - [February 2025](#) and [June 2025](#)

⁶⁶ DCC (2026) [Out-of-Region Communications Hub Installations](#)

⁶⁷ Ofgem (2025) [Ofgem decision to approve SECMP308](#), page 2

⁶⁸ Ofgem (2023) [PPM Guidance \(Safe and Reasonably Practicable\)](#)

of an in-person installation, but also puts more onus on Ofgem to ensure suppliers are following prepay safeguards.

We have consistently argued that suppliers should treat smart meters the same as legacy meters with regard to evaluating how safe and appropriate they are for a household. Smart meters are designed to improve the service consumers receive and open up new products and services to them. Any actions which weaken consumer protections (such as remote switches to prepayment without adequate assessment) represent a significant risk to the reputation of smart meters.

Using data and digital services to verify prepay suitability

Some consumers face challenges in sharing information with their supplier to support assessments of whether prepay is a suitable payment method. This can also give rise to concerns from suppliers that some consumers are misrepresenting their personal circumstances to avoid debt repayments.

Sharing information about health issues and other vulnerabilities is deeply personal. People in debt can avoid engaging with their supplier if they're avoiding dealing with debt problems, or feel they won't be supported or if they've had bad experiences in the past. There are lots of actions suppliers can take to ensure consumers feel safe to engage and share this information, including personalised engagement through communications, relationship building with more vulnerable customers, and specialist teams with dedicated support pathways.

For digitally engaged consumers, third party services such as TellJO and Lightning Reach can act as an intermediary to provide this information. This can help overcome trust issues and enable suppliers to identify and support high-need customers.⁶⁹ Some consumers will prefer to engage with other services, like independent debt advice, to share information about their needs.

Further improvements to verification of people's circumstances could be enabled through access to health information by energy suppliers. Legislation already enables insurance firms and employers to request medical reports from GPs, but only where consent has been provided, and with rights to see the medical report before it is sent.⁷⁰ Expanding this well-established system to energy suppliers could make it easier for people to share relevant health information.

⁶⁹ Energy UK (2025) [2025 Vulnerability Commitment Good Practice Guide](#)

⁷⁰ GOV.UK [Access to Medical Reports Act 1988](#)

Reforming prepay regulation

Introducing clearer consumer outcomes

As part of a long-awaited shift towards outcomes-based regulation, Ofgem is developing a Consumer Outcomes Framework⁷¹. This aims to improve consumer outcomes, streamline regulation and support innovation and growth. The scope of regulatory change is potentially large, if the outcomes are designed and implemented successfully.

A move to outcomes-based regulation should be good news for consumers who prepay. If someone has self-disconnected and not received support, then good outcomes have not been achieved. This should focus regulatory attention on negative outcomes, through better monitoring systems and rapid action to tackle poor practice.

During the prepay scandal, while Ofgem was initially slow to act on concerns, it responded to public and political attention by enhancing monitoring and assessment of supplier practices.⁷² It identified some non-compliance, but also areas where suppliers were acting within the existing rules but poor consumer outcomes were occurring. The regulator then took action to thoroughly review the supplier policies and processes which had led to that point, and introduced new prescriptive regulation.

Clearer consumer outcomes and more responsive monitoring and compliance could have avoided the issues arising in the first place. We would like to see a similar approach taken with regard to consumer outcomes overall, where Ofgem can:

- Identify negative consumer outcomes
- Where necessary, clamp down on poor supplier behaviour, including where prescriptive rules are followed, but consumer outcomes are clearly negative
- Share compliance outcomes and revise prescriptive rules where necessary to prevent future negative outcomes from occurring.

While suppliers have existing duties, we think there is value in integrating safety into any outcomes on payment. For suppliers, this approach could provide much-needed clarity for complex areas, where decisions are potentially riskier. For consumers with prepayment meters, it would address the most negative potential outcome around extended self-disconnection, where this is unsafe due to vulnerability.

To ensure prepay was safe and reasonably practicable in every instance (both at the moment of installation and throughout the use of that payment type) we would expect

⁷¹ Ofgem (2025) [Call for input: Energy consumer outcomes](#)

⁷² Ofgem (2023) [Tackling inappropriate energy supplier prepayment meter practices](#)

to see suppliers taking stronger action to support consumers who are self-disconnecting, including moving people away from prepay where it's not suitable.

High levels of self-disconnection in the market is a major challenge, but reinforcing the principle that prepayment must be safe and reasonably practicable within the consumer outcomes could help support a step-change in customer experience. It could also enable activity to simplify the complex web of rules and guidance on prepay that has evolved over the years, and created challenges for suppliers when trying to apply these rules in the case of voluntary installations which may put consumers at risk.

In the absence of a clear regulatory outcome for prepay customers, we're concerned that suppliers will have to interpret multiple outcomes and have unclear regulatory expectations when supporting some of the most vulnerable consumers in the market. There is also a risk that front line discretion from suppliers, without parameters and clear guidance, will create inconsistent and inequitable experiences across the market.

A meaningful proportion of consumers are likely to remain unable to afford their ongoing energy use, let alone repay any debt. While it is in suppliers' remit to provide affordable repayment plans and options for consumers to not self disconnect, there are limits on what they can do. Similarly, Ofgem rules and outcomes framework are not sufficient to solve the needs of households who are unable to afford their energy bills. Solving this problem also depends on sustained government action to strengthen affordability support.

Guaranteed standards

Ofgem should also consider what role Guaranteed Standards can play in promoting better outcomes for consumers. This could include requiring timely switches away from prepayment where suppliers identify that it is no longer safe and practicable, with compensation paid to consumers if they don't. This could support the rollout of proposals to increase the use of smart prepay during change of tenancy by tackling the risk that consumers get stuck on prepay even if it isn't suitable for them.

Similarly, a Guaranteed Standard could be put in place to ensure suppliers proceed with an installation only where they have completed all the relevant pre-installation checks to ensure prepay is safe and practicable. This would align with the compensation framework Ofgem put in place in 2024 for historic cases where suppliers identified inappropriate installations.⁷³

Reviewing who is required to offer prepayment

All suppliers with over 50,000 customers are currently required to provide prepay tariffs through an obligation to offer 'a wide choice of payment methods'. These rules are

⁷³ Ofgem (2024) [Compensation for involuntary installation of prepayment meters](#)

designed to provide consumers who prepay with choice in the market, and enable consumers in financial difficulties to pay for energy in a way that works for them.⁷⁴⁷⁵ However, many new entrant suppliers have not met these requirements until they have grown much larger, and others have taken steps to limit their prepay customer base.

Since these rules were introduced, significant additional regulations on prepayment have been added, creating more complexity for consumers. This means relatively small firms must develop systems and processes to monitor and support a potentially small pool of prepay customers, which they may struggle to do to a high standard. Requiring small firms to invest in services for obsolete traditional prepay meters is likely to deliver poor long term value for consumers.

We think there is a strong case for Ofgem to review the threshold at which suppliers are required to offer prepayment. Increasing the threshold could mean suppliers have better operational capability to deliver high quality services for people who prepay, which Ofgem can verify through its milestone assessments which scrutinise new entrant suppliers as they grow. It could also give small firms more scope to focus on innovative and specialist services. There may be a case to have an even higher threshold for traditional prepay meters, in recognition of the additional complexity and risk that firms must manage when serving these customers. This change would not prevent smaller suppliers from voluntarily offering prepay where this aligns with the needs of their customers - but in doing so they would need to follow all the normal prepay rules to apply in order to protect their customers.

We've previously been concerned that excluding smaller suppliers from some rules can mean they avoid some costs, undermining the level playing field for competition. However, the prepay levelisation that is now in place means that all firms pay towards the cost of serving prepay customers, whether they offer this service themselves or not. There is a risk that fewer suppliers offering prepay could reduce choice in the market for people who prepay, but it's not clear the current rules are driving competition in the prepay market, where there are much smaller savings available from switching than for Direct Debit customers.

⁷⁴ Ofgem (2019) [Supply licence guide: Metering, billing and payments](#)

⁷⁵ Ofgem (2025) [Electricity Act 1989 Standard conditions of electricity supply licence SLC 27.2](#)

Emerging problems and solutions

There are serious questions about the future of prepayment, not all of which can be resolved by energy suppliers. In this section, we set out the key considerations for the future of prepayment in the energy market, including opportunities we see for innovation and potential complications in the more complex market in the future.

Preparing prepay for clean power

As the UK energy market decarbonises, there are important questions that need to be answered to ensure that prepay customers are able to access the benefits of this transition. It is particularly important that the benefits flow through to PPM customers, as many are highly vulnerable and experience multiple types of deprivation⁷⁶. Excluding PPM customers from innovative models will also limit wider application of prepay among a broader range of customers.

PPM customers face significant challenges in accessing technologies like heat pumps and solar panels which are integral to this transition. Many are tenants and therefore don't have the autonomy to make changes in their homes, while the significant upfront costs of these technologies is likely to be insurmountable with access to support schemes. Extreme energy rationing or persistent self-disconnection may also be incompatible and potentially technically damaging with heat pumps that function best when running continuously.

Some energy suppliers are making concerted efforts to tackle these problems, with initiatives such as Octopus' 'Tenant Power'⁷⁷ focused on installing solar panels and batteries into social homes whilst ensuring that savings are passed on to tenants. Other suppliers are putting significant effort into handling the automation of increasingly energy-complex homes, such as EON Next's Next Optimise tariff⁷⁸ directly specifically at customers with solar panels and a home battery. Yet more needs to be done to ensure that customers who are on prepay can access services like these, and that those who subsequently move to prepay don't lose the benefits.

There's also a real opportunity for suppliers to work with PPM customers in the shift to greater consumer-led flexibility, as they are highly engaged with their usage, often actively monitoring and budgeting their energy consumption. Harnessing this engagement could enable more flexible energy use at times that are beneficial to the wider grid and that deliver cost savings to customers.

⁷⁶ Leverhulme Centre for Demographic Science (2023) [Prepayment meters associated with multiple types of deprivation and emergency respiratory hospital admissions](#)

⁷⁷ Octopus Energy (2026) [Introducing Tenant Power: our new tariff for social housing tenants](#)

⁷⁸ EON Next (2026) [Next Optimise](#)

Further consideration of the prepay experience is also needed in relation to load control - where a provider enables flexibility by managing the flow of energy to a consumer appliance like an EV charger or heat pump. This is becoming a licensable activity by the end of 2026, but it's currently unclear how these services will interact with a prepayment supply, including during periods of self-disconnection. This may be due to the assumption that prepay users are less likely to engage in flexibility schemes or own appliances like EV chargers and heat pumps due to affordability restrictions.

There is a significant risk that prepayment users could be left behind without dedicated work to understand their needs, with some emerging energy evidence that people who prepay are likely to receive more limited benefits from flexibility services.⁷⁹ To resolve questions about the future of prepay, **we suggest that DESNZ and Ofgem explicitly consider the needs of prepay customers in the Smart and Secure Electricity Systems (SSES)⁸⁰ programme.** This should help ensure that prepayment customers are not left behind as new products and services emerge. As part of this, Ofgem and DESNZ should consider how licensed load control services will interact with prepayment, and set clear expectations for providers to demonstrate how prepay users can access and benefit from smart energy services on a fair and equitable basis.

Load limitation

Another option which needs further consideration is load limitation, also known as trickle flow. This approach - notably used in France for customers who are in substantial amounts of energy debt - reduces the flow of energy into a property until the customer engages with their supplier or repays their debt, enabling. While its use is limited to electricity and relies on smart metering, it could provide significant benefit by avoiding full self-disconnection and enabling some essential energy usage.

We have previously proposed a list of questions which would need resolving initially, such as how a minimum amount of energy would be decided and defined, and how this would impact those who use electricity for heat, including heat pumps that require a consistent supply of electricity.⁸¹ **Ofgem should explore a pilot of load limitation to understand the consumer experience and impacts on different consumers,** ahead of any decision to roll it out more broadly.

⁷⁹ Nesta (2024) [Smart prepayment customers' experience of the Demand Flexibility Service](#)

⁸⁰ GOV.UK (2025) [Consultation outcome - Smart Secure Electricity Systems \(SSES\) Programme: first phase energy smart appliances regulations](#)

⁸¹ Citizens Advice (2023) [Response to Ofgem call for evidence on prepayment rules and protections](#)

Recommendations

- 1. The government must develop better targeted bill support to those who need it most and urgently introduce the energy Debt Relief Scheme to support those with unmanageable debts from the energy crisis.**
- 2. Ofgem should ensure prepayment is safe and reasonably practicable in all circumstances.** This should be integrated into its new consumer outcomes, with a view to simplifying the current rules and to secure a strong basis for any future expansion of prepayment. Ofgem should also ensure its rules and guidance are clear on how suppliers should manage voluntary switches to prepayment.
- 3. Ofgem should consider introducing Guaranteed Standards of Performance (GSOPs) related to prepayment.** This could include where suppliers do not switch customers away from prepayment in a timely manner, which could complement proposals to increase use of prepay during Change of Tenancy.
- 4. Ofgem must ensure its monitoring framework has good oversight of the outcomes experienced by prepay customers and can take timely compliance enforcement action where needed.** This should take appropriate account of cases shared by consumer advice organisations and the Energy Ombudsman.
- 5. DESNZ and Ofgem should accelerate the replacement of traditional prepay meters with smart prepay technology,** ensuring that suppliers utilise this to enhance aftercare and ongoing suitability of prepayment.
- 6. Energy suppliers and DESNZ should make it easier for consumers to share information about vulnerability,** through supportive information sharing services and potential legislative changes to enable access to health data.
- 7. Ofgem should consider the customer thresholds at which firms are required to offer smart and traditional prepay.** A higher threshold could ensure robust consumer protection and enable innovation for smaller firms.
- 8. DESNZ and Ofgem should explicitly consider the needs of prepayment customers in the Smart and Secure Electricity Systems (SSES) programme,** including the introduction of the new load control licence. This should help ensure that prepay customers aren't left behind as new energy services emerge.
- 9. Ofgem should explore a pilot of load limitation to understand the consumer experience and impacts on different consumers.**

Conclusion

The stakes are high for prepayment. Although prepay users are generally happy with their service, suppliers are finding the existing rules complex to navigate and apply in practice. Self-disconnection rates remain higher than they were before the crisis and some suppliers are struggling to provide their right level of support. Smart meters are improving the experience for many consumers and offer new ways to improve outcomes, but too many traditional prepay meters remain and create risk for consumers who use them. Energy debt is at record levels, and looks set to rise further without action. Looking ahead, prepayment customers may struggle to access the benefits of the clean power transition.

This discussion paper seeks to identify ways to address these challenges that builds consumer confidence, protects those who are at risk, draws on the benefits of smart technology and helps address the debt challenge facing consumers and the sector.

The recommendations set out in this paper lay out a clear opportunity. Ofgem can create a new paradigm for prepayment through their work on consumer outcomes and their review of the prepayment rules. Suppliers also have a key role in ensuring the best outcomes for people who prepay, and must improve where they aren't meeting their existing obligations. There is a vital role for the government in improving bill support and signing off debt relief for those who are struggling with unmanageable debt. And looking to the future, all have a role to play in ensuring that prepay customers benefit from the energy transition.