

Addressing self-disconnection among prepayment energy consumers: A behavioural approach

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Abstract This paper uses insights from the study of self-control in decision-making to remedy the problem of self-disconnection among energy prepayment consumers. Self-disconnection happens when consumers exhaust all available credit in their meter and are left without supply of energy. This has serious consequences for the wellbeing of consumers and may increase firms' costs. We design a mechanism composed of a commitment contract and a reminder in order to minimize the number of self-disconnections. We empirically assess this mechanism by examining (1) the determinants of self-disconnection and (2) the choice of different commitment contracts. We show that self-control plays a role in self-disconnection and we are able to identify, in our sample, those consumers who benefit from a commitment contract. Moreover, we find a demand for commitment and an opportunity to save among those consumers who need a commitment contract.

Keywords Commitment contract; Self-control; Prepayment meter; Self-disconnection; Reminder

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