



Holders of Gas and Electricity
 Supply Licences, consumers and
 their representatives, business
 consumer groups and other
 interested parties

*Promoting choice and value for
 all gas and electricity customers*

Direct Dial: 020 7901 7061
Email: phil.sumner@ofgem.gov.uk

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Dear Colleagues

Smart Metering Consumer Protections 'Spring Package' – non domestic

Following consideration of responses to our consultation 'Smart Metering Spring Package – Addressing Consumer Protection Issues', we have put in place additional protections for domestic consumers. We also stated in our statutory consultation letter of 30 June 2011 that we would address those issues concerning remote protections for non-domestic customers in the autumn.

Further to the responses to the Spring Package consultation, we note there is a need to ensure that non-domestic consumers are protected in advance on the Government-mandated smart meter rollout in 2014.

For non-domestic customers, we are not proposing to introduce licence conditions at this stage, but are putting forward a set of 'self regulatory' requirements for industry to apply to ensure these customers are treated fairly. We consider that the requirements contained in this letter should apply to non-domestic customers including those who are in receipt of meters with smart functionality in advance of the Government's mandated rollout.

Statutory Requirements on disconnection

The Gas Act 1986 and Electricity Act 1989 oblige suppliers to give minimum of 7 days written notice ahead of disconnection or prepayment installation. That notice cannot be given until 28 days have passed since a written demand for payment was made. We are reminding suppliers that these provisions apply to non-domestic consumers, and that they also apply in the context of meters with smart functionality.

In order to ensure that these requirements are being met, we also expect suppliers to be able to provide proof that notice requirements have been properly complied with.

Compensation

We expect suppliers to act swiftly to reconnect supply where any customer has been wrongfully disconnected and that smart functionality should allow reconnection more quickly.

The ERA Safety Net commits the six major suppliers to a minimum level of compensation for wrongful disconnection but this applies to domestic customers only.

We consider that the same minimum standard for domestic customers contained in the ERA Safety Net should apply to non-domestic customers who have been disconnected in error, namely that suppliers should take all reasonable steps to reconnect as rapidly as possible, and normally within 24 hours (with a significantly faster timeframe where there are meters with smart functionality).

We consider that non-domestic customers should receive compensation of no less than £100 (based on the level of compensation for business interruption under the DNO guaranteed standards) where a customer has been disconnected in error in the case of both smart and non-smart functionality. Clearly, there are circumstances where compensation well in excess of this would be appropriate (for example, where arrangements cover larger commercial or multi-sited customers), and individual suppliers may wish to go further as part of their offering to some or all of their non-domestic customers. This approach is in line with that we have taken for domestic customers.

Monitoring

Our Spring Package consultation stated that we will increase our monitoring this part of the market to track disconnection levels and use of pre-payment. Enhanced monitoring of suppliers' approaches will allow us to see the level of consumer impact and whether there is an increasing level of detriment with the installation of smart meters to determine whether further regulation is required.

Accordingly we are asking suppliers to provide us with data¹ on an ongoing, quarterly basis covering:

- the total number of disconnections² of non-domestic sites (profile classes 3 and 4 and consumption under 732MWh for gas) per quarter;
 - the total number of disconnections of non-domestic sites (profile classes 3 and 4 and consumption under 732MWh for gas) for meters with smart functionality per quarter;
 - the total number of pre-payment meters installed for non-domestic sites (profile classes 3 and 4 and consumption under 732MWh for gas) per quarter;
- the total number of meters with smart functionality switched to pre-payment for non-domestic sites (profile classes 3 and 4 for electricity and consumption under 732MWh for gas) per quarter;
- Subsets of the above four types of information on disconnection and pre-payment for micro business only (electricity and gas separately).

We require information from 1 January 2012. The information should be provided no later than 28 day after the end of the quarter (with the first return on 28 April 2012).

We are formally seeking this information from suppliers under SLC 5 at the same time as publishing this letter.

¹ This information requirement reflects the Government's definition for the mandated rollout of smart meters and in the case of micro-business, the focus of current non-domestic consumer protections. Our Retail Market Review is currently considering the extension of protections to cover non-domestic consumers above micro-business.

² Disconnection is used as a general term not specific to the removal of the meter and will cover electricity de-energisations. Premises that are found vacated when the supplier arrives to disconnect should not be included.

Good Practice approaches when dealing with disconnection

We expect suppliers to follow good practice approaches to debt management and disconnection paths for non-domestic customers. In particular, we see that many of the good practice approaches identified following debt and disconnection reviews³ for domestic consumers should apply to the non-domestic market. This good practice includes:

- minimising billing errors;
- early, proactive and varied contact by the supplier reflecting the communication needs of the customer;
- a clear debt and disconnection path;
- recognising the need to apply a range of solutions when providing advice including consideration of debt issues, ability to pay and signposting to third party advice;
- applying 'key principles for ability to pay' where appropriate to non-domestic customers.

We have also noted the evidence on business debt and disconnection from Consumer Focus⁴ with cases from its Extra Help Unit and their follow up request to suppliers for further information on their debt paths. We will look at this emerging evidence with a view to carrying out further work in this area if there appears to be significant detriment.

Review

We intend to review the conduct of suppliers in this area after 1 year (in Spring 2013)) based on the information we receive, together with other evidence, to assess whether suppliers have put in place adequate voluntary measures to protect micro business consumers.

We will act swiftly, and consider formal regulation, if evidence emerges that customers are not being protected by these measures.

Conclusion

We consider these measures will help ensure non-domestic consumers are protected particularly in light of early moves to install meters with smart functionality alongside the Retail Market Review and other initiatives.

Yours faithfully



Philip Cullum
Partner, Consumer Policy & Insight

³ Review of suppliers' approaches to debt management and prevention, June 2010
<http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/Debt%20Review%20Report.pdf>
Review of protection for vulnerable customers from disconnection, October 2009
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=139&refer=Sustainability/SocAction/Publications>
Debt and disconnection best practice review, Ofgem, January 2008
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=103&refer=Sustainability/SocAction/Publications>

⁴ 'Small business, Big Price' Consumer Focus report, May 2011