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Margaret Coaster
Smart Metering Team
Ofgem
9 Millbank
London
SW1P 3GE

Dear Margaret

ACS Response to Smart Metering Implementation Programme in the Non-Domestic Sector

ACS (the Association of Convenience Stores- Annex 1) welcomes the opportunity to respond to this consultation on smart meter implementation in the non-domestic sector. ACS represents over 33,500 convenience retailers, ranging from independent stores and regional multiples to symbol group and national companies. For all our members reducing energy consumption is a key issue with both environmental and economic benefits. However it is also true to say that while a priority, many retailers experience a problematic relationship with their energy suppliers. It is important that these problems are understood and addressed; otherwise the smart meter implementation programme may create significant tensions and challenges.

Below are our comments and concerns on the relevant suggestions contained in the smart meter implementation programme for non-domestic customers.

Smart Metering

It is recognised that the mandatory roll-out of smart meters across the UK will have cost saving benefits for both non-domestic consumers and energy suppliers. The current situation where many businesses are forced to rely on quarterly meter reads and estimated bill is not satisfactory and has led to significant number of complaints against energy suppliers over inaccurate billing. Similarly, the sporadic information does not allow retailers to monitor their energy usage and make informed choices about how best to reduce energy and which suppliers will offer them the best deal. Research shows the installation of Smart and Advanced metering which allows businesses to have continuous access to such information results in significant cost and energy savings¹. We therefore support the Government's aim to mandate suppliers to roll-out smart meters by 2020.

Pre-Payment and Remote Disconnection

The greatest concern for ACS members regarding smart meters is how energy supply companies will be able to use the remote functions on an electricity smart meter. It would be a significant disadvantage for the industry if the remote function of smart meters

¹ Research by the Carbon Trust shows that on average an SME with a smart meter will reduce energy usage between 5-11%. "Advanced metering for SMEs: Carbon and cost savings", Full Report, Carbon Trust, May 2007

facilitated the trend towards pre-payment in the non-domestic sector. Retail businesses are ill-suited to pre-payment. The costs involved would be significant and requiring retailers to 'top up' regularly would be a significant burden, particularly for companies that have multiple sites who would have to be aware of the energy levels of each store and the likely run-out time. This is clearly a logistic nightmare for companies, even those businesses fortunate enough to have significant backroom capability.

Additionally, the repercussions and cost implication if the electricity supply is removed from a convenience store is significantly different from the implications from a non-domestic customer losing power for a few hours, or even other types of businesses which are not so heavily reliant on refrigeration and till systems. If a grocery retail shop is without energy the loss of chillers will result in a significant loss of stock. In many stores it will also result in retailers having to close their store as they will be unable to operate tills, lottery terminals, electronic payments and Post Office services. This would of course not only affect the retailer but also the community they serve, who would be unable to access vital services. If you consider this could occur in a regional chain of stores, it is clear that pre-payment presents significant problems that differ from the domestic sector. If this proposal is taken forward it is clear that there will have to be negotiations over suitable licensing conditions including ensuring there is a suitable over-draft facility.

For similar reasons ACS would oppose energy companies having the ability to disconnect electricity supply remotely. Also it must be remembered that businesses do not have the same level of protection from the bad practices of energy companies that domestic customers have. Therefore the ability of energy suppliers to be able to disconnect electricity supply remotely leaves businesses in an extremely vulnerable position. ACS has argued that Ofgem should introduce better protection for businesses customers, who experience the same financial and emotional difficulties when harassed by energy companies². Retailers are often engaged in lengthy battles with energy companies and bailiffs even when they are not to blame in the dispute³. As you can see from the attached examples, there is a risk that the ability for suppliers to remotely disconnection could result in significant numbers of retailers being disconnected unjustly. This could lead to the situation where a retailer loses trade and damaging stock, perhaps to an extent when they would go out of business, through no fault of their own. This is unacceptable if the dispute is not the retailers fault.

While businesses do have limited protection under the Gas Act 1986 and the Electricity Act 1989, requiring 28 days notice before they are disconnected the proliferation of 'ghost letters' where companies claim they have sent letters but retailers do not receive them would suggest that this is not an adequate safeguard. If this issue of remote accessibility progresses ACS would be keen to be involved to ensure that there are sufficient statutory safeguards. This could include stipulating that any letters must be signed for by the recipient, that a disconnection cannot occur if a dispute is in place or creating similar safeguards as are already in place for domestic customers.

² Ofgem have recently introduced safeguards for micro-businesses, the only non-domestic who receive protection. However the narrow definition of the term micro-businesses used meant that the majority of businesses in ACS membership, even small independent businesses with one or two stores were excluded.

³ See Annex 2 for examples

Interoperability

The issue of interoperability is an important one, as it is just as crucial that businesses are able to easily switch energy supplier as it is for domestic customers. The consultation says that the non-domestic market is generally more competitive than the domestic market, with companies more willing to switch. We would suggest this benefit does not always appear at SME level, as these businesses that are hard pressed for time and do not necessarily have the in-store expertise. Therefore it is important that the ability to switch easily is retained and connection to the DCC would facilitate this.

However we also recognise that many businesses will already have smart or advanced metering in place and it seems sensible that these organisations should not be required to change their new meter. The Regulatory Impact Assessment suggests that most suppliers with a mixed domestic and non-domestic portfolio will choose to install the common smart meter with the common communication platform even if the scheme is voluntary. Therefore we agree that it is not necessary to mandate DCC interoperability and therefore support option 2, making DCC interoperability optional. However we do believe that Government has a role to communicate with businesses on this issue, to ensure that business installing smart meters for the first time are aware of the consequences of their choices.

Difficult to Install

The consultation raises the questions of whether there should be exemptions to the roll out of smart-metering in premises where circumstances make it technically difficult to install the meter. On this issue we would oppose the Government's proposal to not make any exemptions. It must be remembered that the introduction of a smart meter, when proportionate and practical, is to the benefit of the business and when possible businesses will be keen to have new equipment installed. However it must be acknowledged that there may be premises, such as the examples listed in the consultation, where it would be extremely difficult and costly to install a smart meter and where such an installation will lead to significant disruption for the retailer and their customers. In these minority cases it seems proportionate to allow an exemption process.

Please do not hesitate to contact me if you require any further information.

Many thanks

[Redacted signature block]

ANNEX 1- The Association of Convenience Stores

ACS is the trade body representing the interests of over 33,500 convenience stores operating in city centres as well as rural and suburban areas. Members include familiar names such as Martin McColl, Spar and Costcutter, as well as independent stores operating under their own fascia. Our members operate small grocers, off-licence or petrol forecourt shops with between 500 and 3,000 square feet of selling space.

If you need any more information on this submission please contact [REDACTED]
[REDACTED]

Annex 2- Retailer Case Studies

CASE STUDY A

Despite Retailer A having a record of a manager at Scottish Power accepting his email termination notice to them (shortly after initiating a two year contract - the notice was to terminate on completion i.e. Sept 2009) the company have since effectively refused to accept the validity of the termination (indeed just recently they retrospectively changed their standard terms and conditions to specifically reject this gambit).

Consequently, he is stuck in a limbo where I am paying a punitive rate of ca 15p kwh for electricity when he could be paying ca 10p kwh if formally released (I have the quotes to back this up). For his shop Retailer Costain received an invoice for £3,000 which should be more like £750. He has exhausted the complaints process and spoken to the Ofgem at all levels. This retailer is currently taking legal action against Scottish Power in the hope of setting a precedent.

CASE STUDY B

In June 07 Retailer B moved his forecourt site from E.On to Southern Electric. In September he received a call from Eon informing him that they had undercharged him for the previous 4 years and were sending an invoice for approx £20,000. The invoice finally arrived asking for £35,000. He refused to pay and some time later received a number of threatening phone calls warning him of impending Court judgements and that the suppliers were about to "wind up" his business. He has received court papers from Northampton County Court for the £35,000 and £2,500 worth of interest. He is concerned at their apparent ability to claim money back from four years ago. He feels that someone with less knowledge of the law or English as a second language could well have been intimidated into paying.

CASE STUDY C

Retailer C took over their shop in 2000 and paid energy bills by direct debit to Powergen. In 2005 the received an invoice for £15,000 from NPower, dating back to 2000. NPower produced a contract signed in 1999 by the previous shop owner's father with the supplier Independent Electricity, who had been taken over by NPower. Powergen continued to claim that they were the supplier until after around 12 months pressure they carried out an investigation and found that the meter they were supposedly supplying (although live) was not connected to anything in the shop. Powergen then agreed to refund £8460.00 without interest to the shop owner. Whilst awaiting the promised cheque from Powergen papers were issued by Npower to take a court action for the right to enter the shop-owners premises and disconnect the electricity supply. Retailer C spoke to Npower representatives and arranged that for a payment of £2000.00 as a gesture of 'good will' there would be no application to the court. Despite Npower agreeing to this and cashing the cheque they went ahead with the action on the 22nd March 2007, having stated quite categorically that they would 'hold back' until the Powergen problem had been resolved.

In April 2007 Retailer C, who had not paid because the amount was still in dispute and calculate to be much too high, received a letter stating that NPower had obtained a warrant, and that unless he paid £15,000 he would be disconnected.

On 11 April the shop owner sent a cheque for £10,000 to Npower by registered post. This was received and signed for by Npower at 08:12 a.m on April 12th. At approximately 9.30 a.m on Friday 12th April a team from NPower turned up at the store threatening to cut off the power. Despite acknowledging the receipt of the cheque they stated that a cheque was not acceptable because it would take 10 days to clear. Instead he was forced, under advice from his solicitor, to pay £13,000 on the spot by credit card to ensure that he would not lose his power supply. In addition to this NPower, through Power Debt, are claimed another £19,000, plus interest and costs amounting to a total of £25, 000. Retailer C's solicitor advised that the risk to his company of allowing the case to go to court and so he settled the case by paying £18'000 to Npower and £5000 to his solicitor from his companies reserves.

The mistake was between Powergen and NPower and yet it is the shop owner who has had to spend significant time and stress, not to mention the financial cost, of dealing with the problem. At one point they had a man with a large badge on his lapel which read Bailiff, parading around their premises among their customers. On another occasion a letter containing a threat to bankrupt Retailer C and close down their business was handed to a supervisor at the premises. The letter was not in an envelope nor was it folded in a manner to hide its content. The supervisor in question left shortly afterward looking for a 'safer' position

The result of this ongoing story is that Retailer C was unable to carry out plans for a refit to their stores at that time and had to put on hold plans to expand their business.