

**Question 1: Do you have any views on our proposed approach for addressing potential tariff confusion? What specific steps can be taken to safeguard the consumer from tariff confusion while maintaining the benefit of tariff choices?**

It is in no-one's interests to introduce so much choice that customers are bewildered and confused. In our view, no safeguards are needed beyond those already in place and referenced in section 2.7 of the document:

'You must not offer products that are unnecessarily complex or confusing'.

Anything more than this would stifle competition and potentially deny customers the benefits available from innovation. One challenge posed by more complex tariffs is the extent to which discounts and variable rates can be replicated on the IHD and this in itself may limit the proliferation of tariffs.

**Question 2: Do you agree with our proposed approach for addressing unwelcome sales activities during visits for meter installation?**

We agree that the visit to install smart meters provides a unique opportunity to engage customers on a wide range of potential energy efficiency measures and services that would be of benefit to customers. However, we also believe that customer confidence must be maintained and not undermined by poor sales practices.

Understanding customer requirements and promoting services on a consultative basis is key to engaging customers in the delivery of the benefits of smart metering. Promoting products and services to consumers during the visit certainly should not be prevented because it provides significant value at minimum risk to consumers. This should be based on need and led by the customer; an expression of no interest should be accepted as an instruction, not a challenge.

We believe that the existing regulatory regime already provides sufficient protection for consumers from undesirable sales practices. Specifically,

- **The Consumer Protection from Unfair Trading Regulations.** These provide protection for consumers from unfair, misleading and aggressive selling. They prohibit commercial practices which (by harassment, coercion or undue influence) are likely to significantly impair the average consumer's freedom of choice or conduct concerning the product and which leads (or could lead) them to take a different decision as a result.
- **Door-step Selling and Distance Regulations.** These provide further protections for consumers.
- **The Association of Energy Suppliers Sales Code.** This provides an example of a self-regulatory regime that has been developed to build consumer confidence in this area.

We are concerned that an opt in / opt out scheme could be costly to manage and could undermine the delivery of the IA. With any opt in / opt out scheme the onus must be on customers opting out rather than them opting in. This is consistent with the way that the overwhelming majority of such schemes operate today. Typically fewer than 2% of customers respond to requests for information or action, (unless there is risk to the continuity of their service) even if there may be some benefit to them.

We are therefore keen to expand our Customer Charter and to work with industry to develop additional controls that provide improved confidence in this area. It is important that these additional controls provide the necessary customer protection, but without prohibiting sales activity or introducing restrictions that have a similar effect and would undermine the delivery of benefits to consumers.

### **Question 3: What do you consider as acceptable and unacceptable uses of the installation visit and why?**

We believe that promoting energy-related products and services on a consultative basis during an installation visit is not only acceptable but beneficial in the delivery of the benefits of smart metering.

There are very few products, if any, that we would expect to be sold in the home by the meter installer. One notable exception to this is the choice of In-Home Display. It is important that customers are provided with a choice, but the costs of different models vary widely. Suppliers must be given the opportunity to demonstrate the pros and cons of different models and it would be non-sensical for this not to take place during the installation. We do not envisage our installers taking payment, but the cost of any non-standard IHDs would need to be recovered through customer bills or other propositions.

We have already set out in our answer to Question 2 why an opt-in scheme would be impractical.

We see no role for the involvement of Local Authorities or other third party organisations unless it is in the role of landlord or as a source of subsidy.

We do accept that additional controls may be required with regard to the promotion of products and services that are completely unrelated to energy.

We fully support additional protections for vulnerable customers.

### **Question 4: Do you agree with our proposed approach to ensuring that the IHD is not used to transmit unwelcome marketing messages?**

The value of the IHD for messaging has not yet been established either for customers or for Suppliers, therefore we are reluctant to rule it out as

communications channel before any significant experience has been gained. Our preferred approach would be to remind customers periodically that they can choose to terminate receipt of promotional messages, rather than to make that choice for them.

It is envisaged that the IHD messaging function will be used in a variety of ways that could include payment reminders (potentially protected by PIN) or information on new services for pay as you go customers. In the latter case there may be no charge, but there is a risk that useful information on a service improvement could be precluded from dissemination through this channel if any restrictions were drawn too tightly.

With regard to marketing messages specifically, we believe adequate protection for consumers from 'direct marketing' (defined in section 11 as the communication to particular individuals of any marketing or promotional material) already exists in the DPA. This gives customers an absolute right to opt-out of direct marketing, which would include messages to the IHD. The Information Commissioner also provides advice and guidance on what constitutes direct marketing. We see no need to develop a parallel regime for IHDs.

As there is an opportunity for customers to opt out, we do not believe any further restrictions are required. Suppliers who bombard customers with irrelevant or irritating messages will suffer the consequences.

**Question 5: Do you agree that consumers should be able to obtain consumption information free of charge at a useful level of detail and format? How could this be achieved in practice?**

We agree with the principle that customers should have free access to their consumption information. We are unconvinced that there is a large demand for detailed data but remain committed to its provision where requested.

We are open to further consideration of the optimal way of providing the data and note the suggestions in the consultation. We can envisage that storage of data for one year in the meter would be helpful to doorstep sales staff from energy companies or switching services and may encourage an increase in sales activity through that channel.

**Question 6: Do you consider that existing protections in the Licence are sufficient to ensure that consumers are not remotely switched to prepayment mode inappropriately?**

In general we do think that the existing protections in the Licence are sufficient though some redrafting is required to recognise prepayment as a function rather than a meter type.

We accept that there are legitimate reasons to continue with cash payments through local outlets, but given that smart metering will introduce alternative and more convenient payment channels, we do not think that the current maximum distances from a vending outlet should be perpetuated. PAYG may be the payment preference for customers in remote communities and they should not be denied that choice through a requirement that may not be relevant to them.

In addition we believe that the Electricity and Gas Acts must be revised so that they reflect changes in technology. For example, presently these acts still contemplate coin and token meters, but do not acknowledge electronic payment mechanisms.

**Question 7: Could provision of an appropriate IHD help overcome meter accessibility issues to facilitate prepayment usage?**

Yes, we agree that it should be possible for the IHD to be positioned in a convenient location and for it to provide the required functions for operation of

a smart meter in prepayment mode. The main area for further debate is the requirement to confirm that appliances are switched off before restoration of supply, following a supply interruption. It is perfectly feasible for this to be actioned through the IHD but could require battery back-up in the event of the electricity meter having disconnected the supply.

We should be wary of future developments where the IHD functions may be handled through a different device, such as a mobile telephone. In such circumstances another question may be needed ('are you in the premises?') or some other safeguard to prevent unsafe restoration of gas or electricity.

### **Question 8: What notification should suppliers be required to provide before switching a customer to prepayment mode?**

This answer describes only the situations where the switch to prepayment is not at the request of the customer. We think that the minimum timelines set out in the current Licence Conditions are appropriate: seven days' notice following non-payment of a bill after 28 days. In practice most suppliers can be expected to make an assessment of credit risk before taking action and may allow customers longer than this before enforcing a switch, but given the ease with which such a change can be made and the convergence of tariffs, we expect most changes to prepayment to be discussed with and agreed by customers.

### **Question 9: Do you believe that suppliers should be required to provide emergency credit and 'friendly credit' periods to prepayment customers or whether, as now, this can be left to suppliers?**

All suppliers can be expected to provide these facilities. The incentives are clear since avoiding the risk of self-disconnection out-of-hours is better for customers and avoids the potential risk of costly call-outs. We do not, therefore, feel that a requirement to provide these facilities is necessary.

We do not see this as a particularly strong area for differentiation. There is no advantage to customers in choosing, for example, a supplier offering £50 emergency credit as they will have to repay it before the facility is available again. That may not be possible if the 'overdraft' facility provided by emergency credit and friendly credit is too large.

**Question 10: Do you consider that an obligation similar to Prepayment Meter Infrastructure Provision (PPMIP) may be required?**

We can see no requirement for a PPMIP obligation since all relevant functions will fall within the scope of the DCC.

**Question 11: Is the obligation which Ofgem is proposing to introduce on Suppliers to take all reasonable steps to check whether the customer is vulnerable ahead of disconnection sufficient? If not, what else is needed?**

The disconnection of a customer for non-payment is a relatively rare event and should reduce further once a switch to prepayment is easier to effect. We are very anxious to avoid taking the decision to disconnect if there is a risk of vulnerability, so will continue to carry out all available checks, including an attempt to visit the customer. We would support any such obligation.

**Question 12: What notification should suppliers be required to provide before disconnecting a customer?**

As described above, British Gas will not disconnect any customer without attempting to visit them. If that visit is unsuccessful it can be used to hand-deliver appropriate communications about how energy can be restored.

In general we are satisfied that the current notifications are appropriate and see no need to increase or reduce them.

**Question 13: Do you have any views on the acceptability of new approaches to partial disconnection and how they might be used as an incentive to pay bills?**

We are uncertain of the value of partial disconnection and we are willing to await the conclusion of further research in this area. It has no value in gas, which for safety reasons must be on or off; there is no middle ground.

In general, load limiting has been used in countries where prepayment is not available. It may be that for the UK the application is quite limited.

We do not at this time envisage using load limiting as a customer management tool (e.g. for restricting power as a result of non-payment), and whilst we have not tested this option with either customers or stakeholders, we suspect that customer reaction to its use as a payment control tool would be poor.

We see the benefits of load limiting accruing primarily to the DNOs, and envisage the drivers for their use including:

- “emergency” requirements for load restriction to protect the network for short periods of time
- Pre-planned restrictions to cope with longer periods of time whilst remedial action is taken to reinforce the network (e.g. restricting load during certain times of day over a period of days or weeks or months)
- Pre-planned restrictions agreed with customers as part of a particular tariff proposition (e.g. customer agrees to load limit during



certain times of day in return for a discount – such arrangements could for example facilitate EV charging by other customers).

We have not tested this thinking with our customers and we recognise that there is a place for further research. We see this as logically within the scope of our LCNF trials, where we would assess the impact of consumer-side measures including tariffs (potentially tied to load limiting), so that energy suppliers and DNOs can learn whether they can rely on customers to respond to demand-side signals and incentives.

**Question 14: Do you agree with our approach for addressing issues related to remote disconnection and switching to prepayment?**

Yes, the approach is reasonable, subject to the comments made against question 6 above. There is, however, a suggestion that this is an issue of great urgency that requires regulation in a very short timescale. We think this is a misconception. British Gas has made public its ambitious plans for smart meter installations but would be happy to provide a commitment to conduct no remote disconnections and no remote switches to prepayment (unless requested) prior to September 2011.

**Question 15: Have we identified the full range of consumer protection issues associated with the capability to conduct remote disconnection or switching from credit to prepayment terms? If not, please identify any additional such issues.**

We are not aware of any additional points that are not covered somewhere in the Prospectus.

**Question 16: What information, advice and support might be provided for vulnerable consumers (e.g. a dedicated help scheme)? Who should it be provided to?**

We think that a helpline should be available for all customers, and that the staff answering should be trained to handle issues of vulnerability. All customers will be provided with a user guide for their IHD with the helpline number.

In addition, our meter installation staff will be trained to check for signs of vulnerability and will describe the additional services that are available on request. Appropriate literature describing those services will also be provided.

**Question 17: Do you have any comments on our proposals to prevent upfront charging for the basic model of smart meters and IHDs?**

We agree with the analysis and the proposed approach that costs should be spread across the whole customer base. Any of the alternatives provide a disincentive for customers to accept a smart meter.