



**Consumer
Focus**
Campaigning for a fair deal

Consumer Focus response to Smart Metering Implementation Programme: Consumer Protections

October 2010

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About Consumer Focus

Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland. We were formed by The Consumers, Estate Agents and Redress (CEAR) Act 2007.

We operate across the whole of the economy, persuading businesses, public services and policy makers to put consumers at the heart of what they do.

Consumer Focus tackles the issues that matter to consumers, and aims to give people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

Consumer Focus has strong legislative powers. These include the right to investigate **any** consumer complaint if they are of wider interest, the right to open up information from providers, the power to conduct research and the ability to make an official super-complaint about failing services.

We receive about a third of our funding from BIS. Funding also comes from licenses paid by energy suppliers and the postal industry. We are also able to raise our own funds – for example, through externally funded projects.

Introduction

Consumer Focus supports the rollout of smart meters as a way to end estimated billing – a major source of consumer complaints – and as a tool to help deliver public policy goals of carbon reduction, security of supply and affordable energy. We also see great opportunities around the improved delivery of social assistance to vulnerable and low income households.

However, we have consistently raised concerns that – without the right regulatory framework, technology and the appropriate rollout mechanisms – smart metering could result in increased detriment to consumers and failure to realise the proposed benefits.

Rollout needs to be delivered in a way that maximises meaningful consumer choice, drives down prices and enables customers to make well-informed and effective purchasing decisions. Every opportunity should be taken to maximise cost efficiencies, and help alleviate the difficulties faced by fuel poor and vulnerable consumers.

Our response to this consultation on Consumer Protection should be read alongside our responses¹ to the smart metering consultations on:

- Data Privacy and Security
- In-Home Displays (IHDs)
- Implementation Strategy
- Rollout Strategy
- Non Domestic Sector

¹ Available on our website: <http://consumerfocus.org.uk/g/4ne>

Developing services for customers

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?

Consumer Focus welcomes Ofgem's recognition that smart metering is likely to increase the number, variety and complexity of tariffs which could lead to increased customer confusion. Smart metering will facilitate the introduction of a range of new tariffs. For example, intra-day time of use tariffs (TOUs); critical peak pricing; peak time rebates; energy efficiency packages; remote control appliance deals; seasonal tariffs; more localised pricing and single energy tariffs. In 2008 Ofgem's probe into the energy market reported that around a third of consumers failed to switch to a better deal; we have no evidence that this situation has changed². Smart metering risks adding further complexity to a market that customers already find hard to navigate. It is crucial that customers can easily access the information and tools they need to find the best energy deal for them in a smart world. To enable this, Consumer Focus supports:

- Ofgem's proposal that customers should have access to their energy consumption information for free in a format that allows like for like comparison with other deals available in the market. This is a protection we have long campaigned for. Also the commitment to undertake further work on what would be a useful format and level of detail to enable this in practice – see also Question 5
- The proposal to update existing licence conditions around information provision to ensure customers can benefit from enhanced consumption information
- Recognition of the role the Consumer Focus Confidence Code can play in helping customers make informed switching decisions. Ensuring the link-up between energy tariff and consumption information available to consumers and information needed to effectively use online price comparison sites is essential. For instance, price comparison sites will require access to consumer consumption data in order to carry out an accurate comparison

² Ofgem consultation; *Energy Supply Probe - Initial Findings Report*. 6/10/2008. p.7 Para 1.13. <http://bit.ly/aVoHuD>. This figure was as high as 48 per cent for gas and 42 per cent of electricity customers failing to get a better deal in response to direct sales. Below is an extract from the report – a reminder of some consumer barriers to switching:

1.11. Such active consumers are significantly in a minority. Action is now needed to encourage a greater proportion of consumers to engage in this way. Some still find it difficult or time consuming to assess competing offers; some are not confident that they can make a sound choice; some are sceptical about the scale of potential benefits and whether they will be sustained; some still worry about administrative or billing errors, service problems or moving inadvertently to a worse deal; some are unable to get the best deals because they do not have internet access, a current bank account or both.

In addition:

- When updating the licence conditions, further consideration is needed around the quality, consistency and comparability of not just 'enhanced consumption data' but wider information that customers need to switch effectively. Our recent focus group research on annual statements and energy bills found that consumers were only really interested in the amount they had to pay on their bill and how it was worked out – they did not use the bill as a trigger for switching or other behaviour change. They had little awareness of wider information on the document. Prepayment meter (PPM) users also did not want to engage with their annual statements and many felt they did not want them at all.³ See also Question 5

Consumer Focus looks forward to working with Ofgem on the development of these protections, which would also ensure compliance with the EU third energy package⁴.

Demand management and remote control tariffs

We further welcome the recognition that TOU tariffs could result in particular consumer detriment if customers sign up to a tariff that they do not fully understand or are unable to shift their demand patterns.

Concerns apply equally to tariffs which offer a lower cost to consumers who allow remote control of appliances in their home but might penalise them with higher charges if they override this function; similarly load limiting tariffs and managed credit deals that could either disconnect customers or introduce penalties for customers who go over pre-agreed limits.

International experience suggests that where TOU tariffs have been rolled out alongside smart metering, care must be taken to ensure that they do not cause customer confusion and result in a backlash against smart metering.

We recommend therefore that:

- No new tariffs are introduced at the same time as smart meters. This gives customers the time to adjust to using the new technology
- New tariffs, including TOU remain entirely voluntary. Customers should have the choice of whether or not they go onto new tariffs. This should be a case of them actively 'opting in' to new tariffs rather than being put on them and having to opt-out. This is particularly important as it is unclear if all consumer groups will be able to benefit from new technology

³ Consumer Focus commissioned a series of focus groups (run by Ipsos MORI) with six groups of consumers, to discuss attitudes to information on bills, including comparative consumption information. The full findings of the research will be published in February 2011.

⁴ Directive 2009/72/EC (concerning common rules for the internal market in electricity). Annex 1 Measures on Consumer Protection art. 1 (h), (i). The articles state that customers should: art 1 (h) '...have at their disposal their consumption data, and shall be able to, by explicit agreement and free of charge, give any registered supply undertaking access to its metering data. The party responsible for data management shall be obliged to give those data to the undertaking. Member States shall define a format for the data and a procedure for suppliers and consumers to have access to the data. No additional costs shall be charged to the consumer for that service [underlined by Consumer Focus]'. Art. 1(i) '...are properly informed of actual electricity consumption and costs frequently enough to enable them to regulate their own electricity consumption. That information shall be given by using a sufficient time frame, which takes account of the capability of customer's metering equipment and the electricity product in question. Due account shall be taken of the cost-efficiency of such measures. No additional costs shall be charged to the consumer for that service' <http://bit.ly/igYWtm>

Victoria, Australia for example, introduced a moratorium on TOU tariffs in March 2010 over concerns about the impact on vulnerable households.⁵ At the time of writing, the application on TOU tariffs is still on hold, while the Victorian government undertakes consumer impact studies⁶

- Consumers should be provided with projected bills based on their actual past energy use before signing up to new tariffs. In the same way that you are given projected payments with a variable rate mortgage with different scenarios outlined. This should be based on the customer's actual energy consumption information – preferably a full year. This is to ensure customers have an accurate understanding of their consumption patterns during the day across all seasons, and are able to make informed decisions. Anecdotal reports from industry trials suggest that customers often do not know when during the day and night they are using energy and underestimate baseline usage at night in particular
- Suppliers should be required to provide information as part of their marketing material on the advantages and disadvantages of new tariffs; as is the case for customers switching to PPMs. This should be at the point of signing the contract. Also advice on how people can best change their behaviour to take advantage of new deals
- Consumers must be able to opt out of contracts if it is clear that they do not benefit from them. They should not be locked into long term contracts or face onerous contract termination fees if they leave
- Customers participating in trials of new tariffs must be given a 'lowest price guarantee' (based on consumption over a year) so that they do not end up paying more than they would have done had they stayed on their original tariff. This should remain until mandated rollout and protections are in place
- The minimum standards for in-home displays should be decided with the needs of time of use customers in mind eg they should have ambient lighting, alarms or other signals to warn customers when they enter into a higher cost time period. See Consumer Focus response to IHDs for more information

Protections around time of use tariffs are particularly important as £1.06 billion of benefits identified in the Impact Assessment (IA) are expected to come⁷ from consumers shifting their energy use and taking advantage of lower cost tariffs. The IA estimates that one in five of us⁸ will take advantage of TOU tariffs including intraday multiple rate tariffs and critical peak pricing; as well as those already on simpler versions of them eg Economy 7.

Long-term contracts

We also welcome DECC and Ofgem's recognition of the likely rise in long-term contracts and the potential detriment that could result from consumers not being fully aware of the nature and implications of their agreement to a contract of a significant duration. Again, this is something we have consistently highlighted.

⁵ <http://bit.ly/f1R6Ar>

⁶ <http://bit.ly/f6JmJ>

⁷ *GB-wide smart meter roll out for the domestic sector*. 27.10.2010. IA No: DEC0009. Impact Assessment <http://bit.ly/c4vaQX>, page 2

⁸ *Ibid*, page 28

Experience from the mobile phone sector where the number of 24 month contracts has increased to 63 per cent of all contracts (from 2 per cent of contracts in Q1 2008)⁹ has shown that this trend is not beneficial for consumers for a number of reasons¹⁰, for example, energy consumption patterns can drastically alter due to a change in customer's circumstances, eg through illness or job loss.

Consumer Focus recommends therefore that Ofgem:

- Obliges suppliers to provide information as part of their marketing material on the advantages and disadvantages of long-term contracts, to ensure transparency and increased customer awareness about the implications
- Takes steps to empower consumers and actively promote this information eg via advice providers, suppliers' websites or the media
- Prohibits suppliers from using contract termination fees to lock customers into long-term deals. The level of termination charges must be commensurate to the benefits received by the customer and reflective of the supplier's losses. We recommend that Ofgem refers to Ofcom's recent monitoring and enforcement programme on the costs early termination fees, which led to communications' providers significantly reducing their charges for landline services¹¹

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

No. We don't think the proposed approach is robust enough.

Consumer Focus recognises that suppliers visiting consumers' homes to install meters provides an ideal opportunity to provide people with energy efficiency products and services that could help them reduce their energy consumption.

However, we are mindful that inappropriate selling could undermine consumer confidence in the rollout and therefore willingness to a) have meters installed b) engage in behaviour change to reduce energy consumption.

Consumer confidence in energy suppliers is already low. The energy market was rated bottom in Consumer Focus's Consumer Conditions Survey 2009 which compared consumer confidence in energy suppliers with 45 other sectors¹².

⁹ Consumer Focus is concerned about the increasing numbers of long-term contracts in the mobile phone sector. A corresponding fall has taken place in 18 month contracts over the same period, from 72 per cent to 12 per cent. Source: Consumer Focus briefing, based on Ofcom's *Communications Market Report* 2010: <http://bit.ly/b33jWN> (briefing available on request).

¹⁰ * Longer contracts typically offer customers cheaper up-front charges and lower monthly tariffs, but can be significantly more expensive over the life of the contract. Details of these costs are shown in the analysis below.

* Longer contracts limit consumers' ability to switch, putting a brake on competition in the market.

* The dominance of two year contracts limits consumers' options for financing their mobile package in the way that suits them best. For example, consumers are very restricted in their choice of 12 month contracts involving higher up-front costs, though this is an option that may suit some people.

¹¹ In 2009, Ofcom opened a monitoring and enforcement programme to check whether communications' providers' terms and conditions complied with the Unfair Terms in Consumer Contract Regulations. Ofcom wanted to ensure that early termination cost for landline (and landline & broadband contracts) reflected the costs that the providers saved by no longer providing the service. As a result of Ofcom's work, communications' providers reduced their early termination fees considerably, for example, for the BT Weekend package the fee fell from £11.54 to £2. For more information, see: <http://bit.ly/gIKQ4a>

¹² Consumer Focus, 2009 Consumer Conditions survey, <http://consumerfocus.org.uk/g/4m8> This compared consumers' ratings of 45 markets on the basis of choice, meeting of expectations, consumer rights, trustworthiness, and the comparability of quality and prices.

The potential for increased cynicism around supplier's motives is high. As noted, Ofgem's own consumer research identified concerns about sales approaches during the installation visit.

We agree with Ofgem's view that using meter installation as a pretext to enter consumers' homes and then engage in sales activity is wholly inappropriate. It is also a breach of the Consumer Protection from the Unfair Trading Regulations (CPUTRs)¹³ which state that companies cannot enter a consumer's home for a purpose that is not related to sales and then deliver a sales pitch.

While we have some sympathy with the idea that where customers have given their explicit permission ahead of the home visit, sales can occur during the installation, on balance we reluctantly cannot support the conclusion of any kind of sales during the installation visit, even 'welcome' sales. This is because of:

a) **Industry's poor track record in this area**

Despite the apparent commercial drivers in terms of customer retention and satisfaction, we have little confidence that sales will be consistently conducted in an appropriate manner:

- The 2008 Ofgem Probe into the energy retail market found that nearly half of all consumers switch to a worse deal as a result of doorstep selling¹⁴
- Consumer Focus's May 2009 survey on supplier sales practices found that 34 per cent of consumers described their experience of doorstep sales as 'intimidating' in a free text box, and 68 per cent ranked their customer experience as the lowest score. It should be noted that this was on the doorstep, installers will be actually in customer's homes¹⁵
- Despite the introduction of new licence conditions and remedies outlined, following the Probe, the situation is not improving. Ofgem is currently investigating four of the big six energy companies for potential breaches of the marketing supply licence condition (SLC 25)¹⁶
- While the new SLC25 prohibits suppliers selling consumers a more expensive product than their existing one, it does not require them to offer their most competitive deals. No supplier currently sells its cheapest online tariff during doorstep sales. Consumers would obviously therefore benefit from signposting to an independent comparison

b) **Concerns about competition**

We also have concerns that allowing suppliers or their representatives to conclude sales during the installation visit would give them a further unfair competitive advantage in the energy services market. Suppliers already have a huge advantage, by installing the meters, delivering the Energy Companies Obligation (ECO) and potentially giving advice and information.

c) **Existing and proposed protections are not sufficient**

In practice we think that allowing any kind of sales during the installation visit is open to abuse.

- It will inevitably be hard to establish whether or not the customer gave explicit consent prior to the visit

¹³ <http://bit.ly/gE9wtM>

¹⁴ <http://bit.ly/aVoHuD>

¹⁵ <http://consumerfocus.org.uk/g/4nd>

¹⁶ <http://bit.ly/h5NwOT>

- Existing supply licence rules only apply to the supply of energy. They do not cover energy efficiency products or other services eg displays. Consumer Focus is seeing increasing complaints around 'green claims'. At present, Trading Standards and the Office of Fair Trading (OFT) can take enforcement action for mis-selling of hardware under the Consumer Protection from Unfair Trading Regulations (CPUTRs) and Unfair Terms in Consumer Contracts Regulations (UTCCRs) and consumers can seek advice from Consumer Direct. It is also often unclear to consumers where to go for help when the duties are split between regulators
- In addition to the breaches already identified – we have no evidence that the new overarching Standards of Conduct are, or will be, effective in tackling poor performance as they have never been tested
- As we understand it, Ofgem has never taken enforcement action under the outlined UTCCRs or the CPUTRs. Detailed guidance is needed for their use. This has been promised by Ofgem since 2007 but not yet delivered
- Enforcement action related to the UTCCRs under these for Ofgem would be a very slow process and the energy regulator lacks the powers to levy fines for breach of the UTCCRs. Nor do they provide for redress to consumers
- The Energy Retail Association (ERA) has operated a voluntary code of practice (the EnergySure code¹⁷) since 2002. Despite the existence of a compliance regime and annual audits, Ofgem still had to open an investigation into the sales and marketing practices of four of the six code members in September 2010. Consumer Focus is also concerned that the EnergySure code is only audited using supplier complaints and does not take into account complaints data from other sources such as Consumer Direct and Trading Standards

Consumer Focus recommendations

A supplier code of practice for installation should be developed which is underpinned by a licence condition, with effective governance and robust independent enforcement mechanisms – see Question 13 for more details in Consumer Focus's consultation response to rollout.

This should mean that:

- There should be no signing of contracts or conclusion of sales during the home installation visit – this should cover both physical signing of contracts, and phoning in to call centres/signing up over the web while the installer is present. We recognise that some customers might welcome the convenience of being able to sign up to products then and there. But this would help to avoid the 'pressured sale' during installation which appears to be a dominant experience of customers during doorstep sales
- Where the customer has given consent prior to the home visit, customers can be provided with information on energy efficiency products and services. This should not include things like boiler insurance or home security. An approved list should be considered to prevent misuse – potentially linked to any Green Deal approved products and services.

¹⁷ The ERA Code of Practice for Face-to-Face Marketing of Energy Supply was established in 2002 to ensure every company operates honest and independently-audited doorstep selling practices. <http://bit.ly/ftaF4g>

- When giving energy efficiency advice and information, installers must distinguish clearly between what is independent advice and partial sales suggestions – as independent financial advisors are expected to do.

This and the above is particularly important as the Ofgem Probe found that most people who responded to sales activity on the doorstep did not investigate alternative deals¹⁸

- All customers should be signposted to independent advice on energy efficiency products and services – this verbal advice and hard copy information must be left with the householder. This is important to encourage the customer to shop around to see if there is a better deal available
- Suppliers should adopt best practice – installers should not be incentivised to sell services in their remuneration packages. Rewards should be based on take-up of displays, customer feedback etc. Consideration will be needed around how referrals of customers interested in products are followed-up in a non-pressurised way
- A cooling off period should be introduced between the installation visit and provision of advice and information on products and services, and the conclusion of any sale. This should be one to two weeks. We suggest that Ofgem investigates equivalent practices in the financial services market

In addition:

- Government should review the existing redress arrangements around sales and marketing to see if they are fit for purpose in a smart world – particularly given the increased bundling of services, products and energy supply. See the end of this response for further suggestions
- Special consideration should be given to vulnerable consumers. This group is at risk of suffering particular detriment from unwanted and aggressive sales practices during the installation visit, so will need greater protection. Consumer Focus proposes an additional help scheme for vulnerable and low income consumers during the installation visit. See Question 13 of the Installation response and Annex 1

Consumer Focus strongly recommends that Ofgem leans towards a more cautious approach, especially during the early years of rollout, to ensure customer buy-in. This can always be reviewed if industry proves itself.

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

See also Consumer Focus's response to Question 13 in the Rollout Strategy on the supplier installation code of practice and above Questions 1 and 2.

- There should be no signing of contracts or conclusion of sales during the home installation visit. This includes new displays – see Question 2 for rational
- Customers must not be put onto new tariffs unless part of an extra help scheme and a guaranteed lowest cost tariff – see Question 1 for rational

¹⁸ Ofgem consultation; *Energy Supply Probe - Initial Findings Report*. 6/10/2008. Para 1.21. p7 <http://bit.ly/aVoHuD>

- No data should be collected for sales and marketing purposes during the home visit without the customer's knowledge and consent – this is to protect householder's privacy and ensure they have control and choice over personal information that they share. See Consumer Focus response to Data Privacy and Security for more detail
- Installation of a dual wallet smart meter that would restrict the customer from taking gas and electricity from separate suppliers should be prohibited. This is particularly the case as latest tariff research suggests that in some instances, having two separate suppliers can be cheaper
- Promoting and switching customers who take gas and electricity from separate suppliers onto dual fuel during the installation visit is unacceptable as it is effectively a sale
- There should be no upfront charging for the standard meter or display. This could result in consumer backlash against smart metering. Customers should not be charged to have their meter moved – even with the cost spread over time – where this is directly as a result of them having a smart meter installed as opposed to a standard meter replacement eg meter has to be relocated as space not big enough or the meter is too far from the display for the in home communications to work. This cost should be spread across the whole customer base

Acceptable:

- Where the customer has given consent prior to the home visit, customers can be provided with *information* on the supplier's energy efficiency products and services and an energy efficiency audit carried out – see Question 2. The installation visit provides a unique opportunity to provide customers with personalised information on how they can improve the energy efficiency of their home and cut their energy bills. Consumer Focus research found that 60 per cent of customers would be interested in having an energy efficiency assessment if it was at no additional cost during the installation visit¹⁹

Depends:

- Careful consideration will need to be given around whether the installation visit can be used to incentivise customers to switch payment type or if this will effectively be a tariff change and therefore not allowed.

Consumer Focus recognises that if a customer switches payment method there could be considerable savings; eg the difference in price between standard credit and online Direct Debit can be as much as £200 a year²⁰. However, we have concerns that customers may be encouraged to go onto payment methods that are not best suited to their needs. For example, there is a commercial driver for suppliers to incentivise customers who are a high debt risk onto pay as you go energy tariffs during the installation visit. Similarly Consumer Focus is aware that some suppliers are developing managed credit payment approaches which, depending on how they are structured, could penalise customers who go over an agreed limit of energy by charging them a higher rate.

¹⁹ This was an online Omnibus survey of 2,048 consumers aged over 18 years conducted by ICM on behalf of Consumer Focus. Full findings will be available in January 2011.

²⁰ Estimate based on a dual fuel ScottishPower customer, medium user, on standard tariff changing their payment method from quarterly cash/cheque to monthly Direct Debit. Prices for 22/11/10.

For switching payment method to be acceptable there would need to be some kind of protection in place to guarantee that the customer was not worse off as a result

Desirable:

- Safe, efficient and reliable installation of energy meter and a separate in-home display. Dovetailing of installation of smart water meter where appropriate and cost savings to consumers
- Information, advice and a demonstration on how to use the in-home display
- Extra help provided to low income and vulnerable consumers. This could include: where the customer has consented, referral to the priority services register where not already identified; benefits entitlement check; energy efficiency audit; referrals to grant schemes or extra help available eg debt advice; free installation of basic measures eg thermostat, radiator reflectors, insulation and other measures. We refer Ofgem to Southern Water's partnership with Groundwork
- Information and advice provided on energy efficiency and how consumers can reduce their energy bills. All customers should be signposted to independent advice on energy efficiency products and services – as above. This is particularly important given that more than 65 per cent of the benefits from smart metering are expected to come from customers reducing their energy use²¹. See also question 2
- Tailored information and advice to PPM customers – our research report, *Cutting back, Cutting down, Cutting off*, found that this would be a real benefit – helping to address the existing information gap²². See Section 3 below
- Customer's meter is relocated if not already in a place that is 'safe and practical' for PPM use or it is in a generally inconvenient location. Location of the meter is recorded. See our response to Question 6 for the rationale to this.
- Other activities depending on co-ordination with existing local schemes in the area that deliver cost effective benefit to customers. Eg Warm Front joined forces with the Safe at Home Scheme²³ in Dorset to provide free safety equipment such as fire alarms, along with energy efficiency measures and support

²¹ *GB-wide smart meter roll out for the domestic sector*. 27.10.2010. IA No: DEC0009. Impact Assessment <http://bit.ly/hcGdkW> page 2 states that: 'Total consumer benefits amount to £6.43 billion and include energy savings (£4.23 billion)...'

²² Our research found that households with PPMs had relatively low incomes. More than half received some kind of means-tested benefit, or benefits for disability such as Disability Living Allowance. The chief income provider did not have a job in just under half of cases. More than four in 10 PPM households were rented from a local authority or housing association. Privately rented households accounted for 15 per cent of PPM households. Over one-third of PPM households were home to someone with a long-term physical or mental health condition or a disability, with asthma being reported most frequently. Mental health issues such as depression were mentioned by 9 per cent of respondents.

²³ The Safe at Home Scheme and Warm Front have joined forces to help protect the health and well being of hundreds of families with children under five across Dorset. Using a multi agency approach the Safe at Home Scheme aims to reduce accidental deaths and injuries among the under fives by providing over 1,100 families with safety equipment.

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

Consumer Focus strongly supports Ofgem's view that the IHD should not be used to transmit unwelcome marketing messages, particularly from third parties. We also agree with Ofgem's concerns that marketing messages could potentially undermine consumers' trust in the IHD and may prevent them from using it.

However, we are mindful, that there may be a place for messages to be transmitted by suppliers and even trusted third parties providing advice and information on services, energy efficiency or help available eg advice for PPM customers who are not topping up the credit on their meter, or notification of any potential interruptions of supply.

Consumer Focus is conducting some research on customer attitudes towards messages via displays and will share the findings of this with DECC and Ofgem as appropriate.

Consumer Focus recommendations

- Further research is needed on customer attitudes towards messages via the display
- If messages are permitted – in order to ensure that they are welcome by customers, Consumer Focus strongly supports that householders should have to actively opt-in to getting messages via the display rather than opt out as the prospectus proposes.

This is essential as Consumer Focus research (March 2010) found that only 26 per cent of people have read in full their energy terms and conditions²⁴. This is a reminder of the importance of consumer opt-in mechanisms as a meaningful way for giving consent. Without active consent customers may end up getting a service they don't want and this could undermine trust in the wider programme

- Any terms and conditions should be explicit about what kind of messaging would be sent
- There must also be an easy process for consumers to later opt out of receiving this information if they do not find it helpful or suitable for their needs

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 fully support Ofgem's principle that customers should have access to their own energy consumption information easily, securely, and free of charge.

Energy consumption information is needed for two main reasons a) to help customers compare deals and make informed switching decisions b) to allow customers to compare their consumption and understand how they can more effectively manage their energy use.

Consumer Focus recommends that:

- Ofgem should mandate minimum standards in terms of the type and detail of information that is made available to customers and the format in which it is provided to meet these aims. Suppliers would still be able to differentiate by going above and beyond any minimum standards. It should be noted that:

²⁴ This stretches from 20 per cent for 18-24s to 35 per cent of 55-64s. Those in social groups DE said they were most likely to read the Terms and Conditions; 30 per cent versus C1 23 per cent and AB 25 per cent.

- Evidence from international rollouts and GB trials suggests that the more immediate the feedback on energy consumption and the more detailed, in terms of appliance use and the more personalised in terms of targets, the higher the customer's reduction in their energy use²⁵
- In both instances, we would expect that information on historic energy use, and some form of comparative usage, are needed. This information should be provided in a timely way
- It is too soon to tell whether the annual statements have had any impact in terms of prompting people to switch
- In terms of enabling consumers to switch to the best deal for them, as a minimum, the level of detail and format must allow customers to make like for like comparison with other deals available in the market. For example, all suppliers may need to provide half-hourly consumption information on request, in the same format, when this is required for a consumer to switch TOU tariff.

Without this, customers could encounter barriers to finding the best time of use deal for them. Comparable information is critical given the likely complexity of the smart energy retail market (see Question 1)

- Consideration should also be given to establishing standard user profiles with the benefit of half hourly consumption data. This could be provided to consumers in annual statements along with the other information necessary to change behaviour/switch supplier
- Ofgem/DECC should draw on the experiences of the mobile phone market, and consult price comparison sites in particular, for examples of meaningful ways in which energy efficiency 'packages', including displays and wider services, might be usefully presented. As noted, Consumer Focus runs an accreditation scheme for online price comparison services – the Confidence Code. We are planning to host a workshop with providers to explore the options for price comparison in a smart world. This will help inform our work in this area and DECC and Ofgem are welcome to attend
- Any information available to the customer must be proportionate to that taken by the supplier or the recording capability of the smart metering. For example if the supplier is recording half hourly energy consumption information this level of energy consumption information should also be available free of charge to the customer

These proposals are also in line with the EU Third Energy Package which states that the customer should be able to access their consumption data, free of charge. Failure to do this would therefore be in breach of the Directive.²⁶

²⁵ ACEEE Advanced Metering Initiatives and Residential Feedback Programmes (2010). The American Council for an Energy-Efficient Economy (ACEEE) reviewed more than 36 different residential smart metering and feedback programmes internationally. This is the most extensive study of its kind. Its conclusion was: 'To realise potential feedback-induced savings, advanced meters [smart meters] must be used in conjunction with in-home (or on-line) displays and well-designed programmes that successfully inform, engage, empower and motivate people.'

<http://bit.ly/dphPoX>

²⁶ Directive 2009/72/EC (concerning common rules for the internal market in electricity), Annex 1 Measures on Consumer Protection art. 1 (h), (i)

Easy and free access

Almost 30 per cent of all households do not have an internet connection in their home,²⁷ so the provision of free energy consumption information via the display and hard copy information is essential. Consumer Focus research (March 2010) also shows the importance of providing energy consumption information via the internet, in home displays, hard copy bills. Any proposed information standards should have a degree of consistency across all media.

More recently, Consumer Focus commissioned a series of focus groups (run by Ipsos MORI) with six groups of consumers, to discuss attitudes to information on bills, including comparative consumption information. The conclusions of the research should provide greater insight into how consumers relate to their bills, and how much information they find meaningful on the bill itself. The full findings of the research will be published in February 2011, and a copy will be sent to Ofgem.

Customers should also be able to share their own energy consumption information with accredited third parties. In this way people will be able to use any number of the price comparison services and green advice agencies that are likely to emerge from the introduction of smart metering – including automatic review and switching. This will help promote competition in the energy services market.

Secure

We welcome also, the important principle that data control rests with the customer, except where it is required for 'regulated duties'.

Consumer Focus's research, *Private lives: a people's inquiry into personal information*²⁸, and wider evidence, indicates that despite changing social norms, personal privacy and misuse of personal data are key concerns for many people.

Our study found that people have various degrees of tolerance toward data sharing depending on the area in question (health was the most important in terms of safeguarding privacy). However, even when they are relatively tolerant, as in the case of targeted marketing, they want to know and understand what is going on, so transparency is essential. They also want to exercise control over whether or not their data is shared or collected and to be able to change their minds according to circumstances. Younger people in particular recognise that their data has a value and expect to be offered something in exchange for sharing it.

Key recommendations from consumers from this research are that there is transparency and that authorities monitor and regulate appropriately. There was a lot of cynicism regarding private companies' motivation, but more cautious trust in the motives behind public authorities' actions.

Protection against hacking and security breaches will be essential not only for national security but also to prevent unauthorised disconnection of individual appliances or energy supply, which could have dire consequences for vulnerable consumers who are dependent on energy for their health and well being.

²⁷ <http://bit.ly/aE2W5v>, page 350

²⁸ Demos research, supported by Consumer Focus and the ICO examined, through ground-breaking deliberative research methodology over several weeks, people's attitudes to information privacy linked to communication data, targeted advertising and health records. Participants learned first about the issues in depth from experts (including industry), and then discussed, came to conclusions and made recommendations. <http://bit.ly/gkB7xW>

In particular, we support the principle of adopting privacy by design for the end to end smart metering system,²⁹ and using the meter as the primary depositor of historic energy consumption information, in terms of data handling and access practices. Consumer Focus has pressed for this approach and is pleased to see it in the proposals.

By linking the meters to the in-home display consumers should be able to directly access information on their historic energy consumption and related costs, free of charge, in a way that that best safeguards personal privacy. This is also in line with the EU Third Energy Package's requirements around provision of information on energy use.³⁰

For our full comments in this area please see our consultation response to Data Privacy and Security.

²⁹ Our fundamental requirement is for privacy by design, which means that the communications and security architecture and standards should be built in at the outset for the hardware, software as well as any systems and processes rather than bolted on later on. This should apply to connections between the home meter and the energy supplier, home meter and the central communication provider, as well as the in-home local area network. Systems and meters should be road tested before mass roll-out, for a minimum of six months.

³⁰ Directive 2009/72/EC (concerning common rules for the internal market in electricity), Annex 1 Measures on Consumer Protection art. 1 (h), (i), available at: <http://bit.ly/igYWtm>

Prepayment and remote disconnection

Background

Consumer Focus supports the proposal that both gas and electricity smart meters should have pre-pay installed as a standard requirement and therefore the associated remote functionality. Our investigation into the experiences of PPM customers found that, despite dissatisfaction with poor customer service and higher cost tariffs, prepayment is still a popular payment method³¹. Our March 2010 survey also indicated that at least a third of consumers could be interested in pay as you go (PAYG) energy if the price was comparable with Direct Debit and it was easy to top-up³².

The mandating of this functionality provides a rare opportunity to help revolutionise the PAYG energy market and remove historical barriers to competition in Great Britain. It should not only reduce the cost to serve PPM customers but also help tackle barriers to consumer interest in this payment method. This is because the customer's meter will no longer have to be exchanged if they move to or from prepayment, and consumers should get access to a greater range of top-up options – over the phone, internet, via a cash point – improving convenience. Greater choice of PAYG energy products should also reduce the stigma associated with this payment method. All these factors in turn could open up the PAYG energy market and further drive down prices³³.

Given that PPM customers are disproportionately on low incomes, competitively priced PAYG could offer real social benefits while new technology could help end disconnection for electricity customers and target assistance and support at those that need it more effectively.

Remote functionality should facilitate greater flexibility of payment methods, helping customers to switch between prepayment and other payment options more easily and quickly. We also recognise that there may be a benefit to customers in financial difficulties, with earlier switching to prepayment, helping to prevent debt build-up, providing suppliers continue to take the time to assess that prepayment is a suitable option for the household.

However, we do have real concerns that the ability to remotely switch customers to prepayment and disconnect consumers, and to load limit, could be misused by companies unless safeguards are updated.

³¹ *Cutting back, cutting down, cutting off – Self-disconnection among prepayment meter users.*

Consumer Focus, July 2010, <http://consumerfocus.org.uk/g/4lx>

³² ICM online survey for Consumer Focus of 1,839 customers, March 2010. This indicated that at least a third of energy consumers may be interested in a pay as you go energy tariff (as with mobile phones) if the price was competitive with Direct Debit and they could top up easily. Experience in Northern Ireland where semi-smart meters have been introduced suggests that pre-pay is the payment method of choice for many consumers. Around 30 per cent (230,000) of all electricity consumers were using the keypad PPMs by mid-2009 with new connections continuing at a rate of 2,000 per month. About 58 per cent are on low incomes but 32 per cent are middle or higher incomes including 17 per cent who are 'wealthy achievers' (Acorn classification).

³³ *Cutting back, cutting down, cutting off – Self-disconnection among prepayment meter users.* Consumer Focus, July 2010, <http://consumerfocus.org.uk/g/4lx>. Annex 4.

We greatly welcome therefore the timely guidance issued by Ofgem on the remote disconnection and switching of customers in August 2010 and the recognition of the importance of this issue. We urge the regulator to put robust protections in place to ensure that all customers benefit from this new technology. We look forward to continuing to work with Ofgem in the development of these protections.

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?

No, Consumer Focus believes that the licence conditions and the Energy Acts need updating to prevent customers from being switched to prepayment mode inappropriately.

The Gas Act 1986 and the Electricity Act 1989 stipulate that customers must be given at least 28 days to pay their bill and then at least seven days notice before a supplier can forcibly 'install' a PPM. The language of the Acts will need to be updated to reflect that the installation of a separate PPM will no longer be necessary and to allow for switching from credit to pre-pay functionality.

The supply licence conditions state that suppliers with more than 50,000 customers must offer a wide choice of payment methods, including via a PPM. Also, that energy companies must only offer a PPM, where it is safe and reasonably practicable. Again the definition of prepayment in the licence condition will need to reflect where the meter can be switched to prepayment mode.

Further protections will be needed, as in practice the necessity for the supplier to physically visit the home to exchange the meter acts as an important additional consumer safeguard in the following ways:

- The cost, inconvenience and time to install the meter can act as a disincentive to suppliers switching customers onto pre-pay. This is particularly the case where a warrant is required
- It enables the supplier to visit the home and personally check that it is 'reasonably safe or practicable' for the customer to use prepayment. This can be established both by face to face interaction with the customer or other household members or physically viewing the position of the meter
- Where a warrant is required for forced entry, the Court will often require that the supplier proves that numerous attempts have been made to contact the customer, that the customer is not vulnerable and that a PPM would be suitable for their needs
- It provides a final opportunity for the supplier to discuss alternative payment options
- Where the customer is present it also allows for face to face demonstration on how to use the PPM and an exchange of information about using prepayment effectively and debt repayment. This could help prevent self-disconnection in the future

Recommendations

In order to ensure appropriate safeguards are in place we therefore outline the following recommendations:

Guidance

Consumer Focus interprets the existing licence condition as putting the burden of proof on suppliers to ensure that prepayment is 'safe and reasonably practicable' for the customer. However, given the importance of this issue, we recommend that Ofgem develops industry-wide guidance on the definition of 'safe and reasonably practicable', and requires suppliers within supply licence condition (SLC) 27 to have regard to this.

Guidance should however, be exactly that, with suppliers made aware that this is not an exhaustive checklist that should be applied uniformly. Suppliers will still need to judge each case on its merits and adopt a flexible approach to ensure that customers are protected.

Guidance should take into account the additional functionality possible with smart meters. It should necessitate that contact is made with the customer and evidence provided that prepayment is appropriate. Where contact is not made, or insufficient information is available to judge whether this is the case, it may require a home visit. A home visit in itself should not however be deemed sufficient to comply with this licence condition.

Despite developments in technology, including displays with full pre-pay functionality and the ability to remotely top-up, Consumer Focus believes that new guidance should not allow pre-pay where:

- The consumer does not have 24 hour access to the PPM
- The consumer has some form of vulnerability that would impact their ability to operate the PPM
- Where the PPM is in a difficult to access position eg high up
- Where the consumer cannot reasonably be expected to get out of the house to top up regularly or does not have the facilities to top up remotely

As noted in Question 7 – we do not believe that existing communications technologies can yet be relied upon to provide solutions to some of these challenges.

Vulnerability checklists

New vulnerability checklists for use over the phone and online must be developed in co-operation with industry and consumer groups. Suppliers should be obliged to use these. Ofgem will be aware of the current resistance among some industry players to commit to using the best practice vulnerability checklist, developed by Ofgem and Consumer Focus, to check the household's circumstances before any new PPMs are force fitted or installed for debt related reasons. This is a reminder of the need to mandate these protections.

Installation of smart meter

To help ensure that customers are not remotely switched onto pre-pay when it is not safe or practicable to do so we also recommend the following:

- When a smart meter is installed there should be an obligation on suppliers to record the location of the meter. It should be flagged if the meter is located in a place that is not accessible for prepayment. The test should be whether it would be reasonable for a more elderly or disabled consumer, as compared to a more 'typical' consumer, to operate it in PPM mode, as different groups of consumers will have different access issues

- This information should be stored by the data and communications management company (DCC) – not as personal customer information but linked to the property only. Should the customer switch supplier or on change of occupancy, this information could then be available to the new supplier, subject to appropriate data protection issues being addressed. This could help (though should not be solely relied upon) to identify if the meter might be in a location that is safe or practicable for the customer to use in pre-pay mode
- Wherever possible during the installation visit, the smart meter must be located in a position that would be suitable for PPM use, as it might be used in pre-pay mode in the future. We recognise that moving meters can involve additional cost, but installers tell us that in many instances re-locating meters a small distance can result in no additional expense, but could make a significant difference to customer accessibility. Further consideration is needed around this
- We support the suggestion that suppliers should take the opportunity of the home smart meter installation visit to scale-up and register customers who should be on the priority services register (PSR). However, the PSR cannot be solely relied upon – customers' circumstances change and people move homes. Indeed Consumer Focus and Ofgem's 2009/10 joint fast track review of vulnerable disconnections found that suppliers' information about vulnerability was often out of date³⁴
- Where the meter needs to be moved for it to be pre-pay ready and this entails an additional cost, this cost should not fall on the individual customer but spread across the whole customer base

In addition:

- Where it is clear during the installation visit that prepayment is no longer a safe and practicable option for the customer, action must be taken to address this eg meter relocated to make it accessible or alternative payment options offered

Switching in error

There are occasionally cases of PPMs being incorrectly installed on the wrong account eg if the meters are in a communal hallway, crossed meters, etc. We are also aware that there are problems with poor quality metering data held on the central systems eg crossed meters, non-existent meters registered to addresses, details not updated after house or flat conversions and so on.

- The smart meter rollout will need to ensure that the metering databases are thoroughly cleansed and updated. Otherwise there could be an increase in cases where the wrong customer account is switched to pre-pay. At present, the installation of PPMs acts as an additional check to ensure the meters are going on the right account
- Where the customer is switched to prepayment in error, suppliers must commit to switching the customer back as soon as the technology and any necessary safety checks allow. Customers should also be offered a standard sum to compensate them for the inconvenience and to act as a financial incentive on suppliers to ensure they have robust controls in place. This is an important safeguard

Communication

The current installation visit allows for face to face demonstration on how to use the PPM and an exchange of information about using prepayment effectively and debt repayment. This could help prevent self-disconnection in the future.

³⁴ <http://bit.ly/g51kal>

- There should be an obligation on suppliers to provide both hardcopy and verbal information to customers on pre-pay. See question below on notification.

Potential for misuse of new technology

Smart meters will make it easier, quicker and cheaper for suppliers to switch customers to prepayment – removing financial barriers to wider use. Consumer Focus has strong concerns therefore that without robust protections functionality could be misused in the following ways:

Customers in debt

We recognise that with the right protections, faster switching to pre-pay could benefit customers who are struggling to afford their bills, helping them to switch to prepayment earlier in the debt cycle, preventing debt build-up. However, we are strongly concerned that a desire to reduce debt risk could lead some suppliers to push customers onto pre-pay without their consent or when it is not the most appropriate payment method for them. This is particularly the case given the worsening economic climate. While the number of customers in debt has remained relatively steady, average customer debts have increased significantly – 15 per cent for electricity and 14 per cent for gas in the last year³⁵.

Indeed the findings of the 2010 Ofgem and Consumer Focus review of suppliers' approaches to debt management and prevention³⁶ highlighted concerns about incentives on staff (both field and telephone) that may encourage staff to place undue emphasis on securing agreement to amounts aimed at meeting debt recovery targets rather than achieving an appropriate outcome for the customer. The review also found that many suppliers offer cash incentives to staff for moving customers onto Direct Debit, which is not always an appropriate payment method.

- It is essential that suppliers, and third parties operating on behalf of suppliers to collect debt, always take customers' ability to pay and circumstances into account. Furthermore suppliers (and their agents) must comply with existing protections for consumers as set out in the Consumer Protection from Unfair Trading Regulations 2008 ('CPUTRs') which prohibit traders from engaging in certain misleading and aggressive practices in selling their products

Customers in low income areas/high debt risk

Linked to the above – Consumer Focus has heard anecdotally that at least one supplier is rolling out smart meters in low income areas, where customers are considered high debt risk and there are high rates of change of tenancy.

- Careful consideration will need to be given during the smart meter installation visit as to whether switching customer's payment method should be allowed. It is crucial that smart meters are never left on prepayment as a default option once installed. Also, that if the customer switches to pre-pay during the installation visit that the advantages and disadvantages are fully explained to them
- There must be monitoring to ensure that consumers in low income areas or with high debt risk are not forced onto prepayment or have their choice of payment method restricted by this new functionality. Customers should be easily able to switch both to and from prepay

³⁵ Source: **Ofgem Company Performance Stats (p3)**. (Q2 2010 vs. Q2 2009).

<http://bit.ly/f73NwH>

³⁶ <http://bit.ly/g51kal>

- When smart meters are installed suppliers should also be obliged to report on instances of switching between prepay and credit, both the installation of new meters and remote switching between payment methods. This is to ensure that remote switching functionality is not misused and that there are no barriers to moving back to debit from prepay

De-facto disconnection/vulnerable customers

Remote switching risks becoming a way of disconnecting customers by the back door. It is important that protections for switching to prepayment are at least as robust as for disconnection. This is particularly the case for vulnerable customers.

At present suppliers all have debt paths which do not result in the disconnection of vulnerable consumers. While SLC 27 protects certain groups of vulnerable consumers from being disconnected during the winter period, and the self-regulatory framework (the ERA Safety Net) aims to protect consumers at any time, there is nothing to prevent customers from self-disconnecting if they are on PPMs or from suppliers putting vulnerable customers onto prepayment.

Consumer Focus's research found that there are already an estimated 16 per cent of consumers with PPMs self-disconnecting, some of whom include more vulnerable households for whom, PPMs, are not really safe and practical. This may be because the customer's circumstances changed or they moved into a home with a pre-existing meter, in addition to inadequate vulnerability checks. There is a significant risk that an expansion of pre-pay could lead to an increase in self-disconnection and increased risk to vulnerable consumers. We therefore propose:

- Suppliers to offer customers alternative payment methods where prepayment is no longer safe and reasonably practicable to use. So customer can switch away from prepay
- Suppliers report on the numbers of customers switched and the time the switch took place – to ensure that vulnerable customers aren't being moved onto prepayment ahead of the winter moratorium
- Consideration should be given to ending self-disconnection for electricity customers. As an alternative to self-disconnection customers could be offered a 'life-line of energy' (a trickle flow) that might allow them limited use of appliances in the home eg lights and the fridge
- Suppliers should report on instances of self-disconnection and be obliged to provide help to PPM customers who are no longer topping up the credit on their meter or are relying on this trickle flow of electricity as they may be in financial difficulty. In Tasmania, for example, suppliers are required to contact customers who self-disconnect three or more times for at least 240 minutes on each occasion, in a three month period. They have to offer these customers advice on alternative payment options, provide advice on government assistance schemes, and (where the customer has consented) make referrals to the scheme³⁷

³⁷ www.economicregulator.tas.gov.uk. Cited in Smart Pre-pay in Great Britain. March 2010. P.21 Sustainability First. Gill Owen and Judith Ward. This research was part-funded by Consumer Focus. <http://bit.ly/dzwEeM>

Managed credit

Consumer Focus does not support a situation whereby a household is automatically switched to pre-pay after they have exhausted their supply of managed credit. The standard notification and protections process must be followed. We are aware that some suppliers are quite advanced in their preparations of this payment method, so licence conditions will need to address this.

Credit referencing

It is essential that Ofgem considers how energy suppliers plan to use information from credit reference agencies and put in place protections to ensure that energy suppliers cannot use a low credit rating as a reason to switch a consumer from credit to pre-pay without due process. It is important to ensure that a consensus does not develop which assumes that pre-pay is the sole solution for consumers with lower credit ratings. There are other payment methods which offer similar benefits to both consumers and suppliers such as weekly payment.

- Customers must not be switched to pre-pay without their explicit consent apart from in instances of outstanding debt where the supplier has complied with the appropriate protocols. Consent must be active (ie not an opt-out in the customer's terms and conditions where the supplier has the right to switch between payment methods at their discretion)

Opportunities

There are opportunities to remove barriers to customer choice of payment method.

Consumer Focus's research found that in nearly one in three cases, the PPM had been installed by the landlord and the occupier was not allowed to remove it. Action must be taken to raise awareness among tenants about opportunities to switch payment methods in a smart world. We also found that in 4 per cent of cases customers decided to stay on prepayment because their supplier asked for a payment to change it. Security deposits must be reasonable and not act as a barrier to switching to the credit functionality.

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

Yes but the IHD must not be relied upon to meet 'safe or reasonably practicable' requirements. The meter must have full pre-pay functionality and be fully accessible as a contingency.

There are great benefits to PPM customers of an appropriately designed IHD. This could offer improved functionality and accessibility compared to the physical smart meter in pre-pay mode – see also Consumer Focus's response to in-home displays.

Consumer Focus's research found that meters were often located outside of their property or in hard to reach, hidden away locations within their home. While it was normally physically possible for people to use their meter, the location sometimes made it inconvenient to access and to top-up, hard to see or hear low credit warnings and difficult to see display information and interrogate the full functionality of the meter eg see energy consumption data or tariff information etc³⁸.

Having a high-quality pre-pay ready IHD, located in an accessible position, could therefore help customers better manage their energy use, more easily access the full prepayment functionality, and increase consumer convenience.

³⁸ *Cutting back, cutting down, cutting off – Self-disconnection among prepayment meter users.* Consumer Focus, July 2010, <http://consumerfocus.org.uk/g/4lx>

Learning from the 2009/10 Consumer Focus and Ofgem review of suppliers' approach to debt management and prevention found there are a number of circumstances where energy suppliers cannot install a PPM because it is not safe or practicable to do so.

These can include:

- The customer has a particular vulnerability issue (physical, mental or financial) that will limit their ability to use the PPM or there is a risk of self disconnection
- There is no access or no 24 hour access to a charging outlet near to the customer
- The meter is in an inaccessible place, such as in a communal cupboard/in-take room or the meter is too high (above 1.8 metres/6 feet)

In theory, an IHD, based on inclusivity by design principles could help some customers with special needs access prepayment eg those who are visually impaired. The Government has stated it believes that inclusive design saves money and its commitment to this is outlined in BIS's October 2010 eAccessibility Action Plan³⁹.

Similarly if the supplier offers remote top-up options such as via the internet or by phone, this could in theory provide alternative payment options for customers who are not physically able to visit a local top-up point and where top-up points are more than two miles away. This of course would only apply where the customer has internet access and bank account. Ofcom research shows that nearly 30 per cent of households in the UK do not access the internet⁴⁰ and around two million households are without bank accounts.

However, we remain to be convinced that this technology can be relied upon, where the smart meter is in an inaccessible location, to ensure that it is safe or practicable to use. Nor can it be relied upon as the sole mechanism for topping-up.

The Energy Demand Research Project and subsequent trials have identified problems with the dependability of displays relying on wireless technologies. If the display failed the customer could be left without supply. This would be unacceptable.

As we have already noted, the Guidance for suppliers around 'safe or practicable' should clarify that an IHD is not an alternative to an appropriately accessible smart-meter with full pre-pay functionality. But we recognise that this should be kept under review as the technology develops.

Anecdotal evidence suggests that hardwiring displays, as opposed to wireless communications, is more reliable. But this may add cost as well as resulting in increased disruption and inconvenience for the customer when installing it. If this approach is adopted, it is crucial that the cost is not passed on to just PPM customers as this would add to the cost to serve and undermine the benefits of smart meters to PPM customers in terms of relatively cheaper tariffs. It may also lead to customer resistance to smart meter installation.

If the display is to be relied upon, careful consideration will need to be given to the minimum standards – its design, accessibility, how it is powered and whether it is portable. We have concerns that a portable, solely battery powered display may not be robust enough for pre-pay use; could be lost and when the batteries run out that they are not replaced potentially leading to self-disconnection.

³⁹ <http://bit.ly/ev48zt>

⁴⁰ The Communications Market 2010 <http://bit.ly/g8g3HJ>

Similarly, this has implications for the ownership of the IHD and how the customer complains and gets redress, if things go wrong with their pre-pay service. The current proposals for IHDs are that the supplier should only be responsible for the display for up to one year. Consumer Focus strongly disagrees with this. If the display stops working or top-up doesn't function properly we could end up with a situation where it is up to the customer to identify a) The cause of the problem – display, meter, in home communications b) Who is responsible – the display manufacturer, their supplier or another party c) What their rights are – which could be different in each case d) Which regulator they contact, if they can't get redress – Ofgem, Ofcom or Office of Fair Trading. All the while they could be off-supply – a particular risk for vulnerable consumers. At the very least, existing guaranteed standards for responding to PPM faults would need to extend to IHDs in a smart world.

It is also worth remembering that the inherent dangers of loss of supply are such that the Consumers, Estate Agents and Redress (CEAR) Act, places a specific duty on Consumer Focus as the energy watchdog to take on complaints of this nature.

Consumer Focus recommendations

- The guidance for suppliers should be updated to clarify that an IHD or remote top-up options are not an alternative to an appropriately accessible smart-meter with full pre-pay functionality and existing rules around accessibility of top-up points. This should be kept under review as the technology develops
- Under the current circumstances, when a PPM cannot be fitted and the customer is not vulnerable, their supply will be disconnected. There are a number of ways in which suppliers have addressed this problem, from paying the debt back through a different meter (eg a gas debt paid back via the electricity PPM, which is more conveniently located) to re-siting meters free of charge. Guidance should make it clear that these options should remain
- It is essential that all customers are offered a display which is pre-pay ready. This is necessary to help improve PPM consumer convenience and accessibility to the benefits of pay as you go. Also to ensure that consumers do not have to change IHD when they switch payment method or switch suppliers
- At the very least, existing guaranteed standards for responding to PPM faults would need to extend to IHDs in a smart world

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

Switching to prepayment is likely to occur for two main reasons:

- In response to debt – where the customer effectively has little choice as they owe money to their supplier. In these instances contact with the customer may or may not have been achieved
- Customer is not in debt, but has decided to switch to pre-pay. This is likely to involve the customer having direct contact with the supplier, whether solicited or unsolicited

Consideration must be given to:

- What information should be provided to the customer ahead of switching and post switching
- By what means and how the information is provided eg hard copy, telephone call, face to face, via the IHD and how this is presented
- How much notification (notice period) should be given when the customer is being forced onto prepayment

As set out in Question 1, the onus should be on the supplier to prove the customer is not vulnerable and that prepayment is safe and reasonably practicable before switching payment mode occurs. As part of this process, Consumer Focus believes that direct contact by the supplier with the customer is required. There should not be a situation where the customer has not been told that they are going to be switched.

Method of communication/information provided

We recommend that Ofgem issues guidance to energy suppliers to ensure that *all* consumers moving from credit to pre-pay receive *both* a written and verbal communication from their supplier prior to the switch taking place. Also following switching a message should be sent via an IHD where available. Information provided should set out:

- The advantages and disadvantages of prepayment (as per existing licence requirement)
- Details of the change in payment method, in particular the date and time that the meter will be switched to prepay
- Where it is the customer's choice to switch, their right to change their mind and switch to other payment options without penalty. If the decision to switch follows contact with the supplier, written material enables the customer and other household members to reflect on the decision. This is particularly useful in the case of unsolicited approaches by suppliers to get customers to switch. Eg customers who are high debt risk but not in debt and those living in areas with high tenancy turnover may be targeted by suppliers to switch to pre-pay. It is important that they know their rights
- Their right to a pre-pay ready in-home display – free from direct cost – to improve customer convenience and help people more effectively manage their energy – see Question 7
- The name and details of the tariff that the consumer will be on, and any changes in terms or cost. Consumer Focus's qualitative research found that most consumers did not realise their supplier offered different tariffs and assumed they would be on the cheapest tariff for their payment method
- How the pre-pay function works and options of how the consumer can top-up their meter and, closest top-up points
- How to re-enable the supply
- The consumer's right to switch supplier and information about where to get independent advice on switching eg Confidence Code accredited sites
- Any standing charges that apply to the consumer's tariff and how they are deducted
- Confirmation of the amount of emergency or friendly credit that is available on their pre-pay function and what this is and how it works

In the case of customers in financial difficulty this should also include:

- Agreement of any arrangements to manage the outstanding bill including the amount of debt outstanding, the rate of repayment and details of when the debt is deducted (if applicable)
- Information about the debt assignment protocol

Written communication should also outline:

- Confirmation of the reason for the switch to pre-pay eg customer request, debt repayment. This is to avoid confusion and enable redress where the customer feels they were told they had to switch
- A supplier telephone number for further information and advice
- A contact telephone number for independent advice on energy efficiency and how to cut their energy bills

These telephone numbers should be free for all consumers, from both landlines and mobile phones.

Both written and hard copy communications are important to ensure that the information has been received and is understood. Consumer Focus research found that some PPM customers believed that they had never received communications of any kind from their supplier.

Our recent billing research also found that PPM consumers were the most disengaged from their bills and annual statements and the least likely customer group to want more information in this format⁴¹.

Despite the low level of engagement with existing communications from suppliers, hard copy letters provide confirmation of receipt of information. Written information can also act as a reference for customers, carers or other household members not involved in the direct contact with the supplier. This should be in a simple, easy to understand format.

More work is needed by suppliers on customer engagement strategies. It is important that energy companies consider how they can improve their communications with this consumer group. This should include exploration of messages on top-up receipts, keys or equivalent, and postcards.

The smart meter installation visit

Given the existing information gap identified in our research, suppliers must use the installation visit to explain to customers how to use their IHD and smart meter to maximise customer's prepayment experience.

In-Home Display

We support payment mode being clearly visible on the IHD and recognise that unsolicited messages may be valuable in this instance. However, the IHD should not be used for general communication with customers unless prior consent for this use has been given by the customer. We agree that the display cannot be the only route to notification but one of many that needs to be employed.

⁴¹ This focus group research was conducted by Ipsos Mori on behalf of Consumer Focus (October 2010) and will be published shortly.

Customers in debt

If the switch is taking place for reasons associated with debt repayment or the consumer has limited choice in the matter, then the supplier must take all the relevant steps in the debt path to contact the customer and attempt to recover the money from the consumer by other means – see also Question 1.

As per the existing licence conditions, post switching, the supplier needs to then monitor the household to ensure that the customer is topping-up and therefore able to use the meter. If the customer does not top-up, the supplier should continue to seek contact with the consumer via telephone or via further home visits, to ensure they understand how to use their meter.

Notification periods

The Gas Act 1986 and the Electricity Act 1989 stipulate that customers must be given at least 28 days to pay their bill and then at least seven days notice before a supplier can forcibly install a PPM.

Consumer Focus believes that the existing arrangements are sufficient but only on the basis that suppliers continue to follow the appropriate debt path including early notification of the debt, remote switching, and multiple attempts to contact the customer – by letter, phone and home visits. Only when these avenues have been exhausted should seven day notification be given.

Moving to a situation whereby consumers are able to get their debt under control at a much earlier stage is to be welcomed but emphasis must be on following the appropriate protocols to ensure the customer is protected. In practice, we would not expect many suppliers to either disconnect or switch customers within 35 days given the challenges of meeting existing protections. This process can currently take up to 100 days, and can require the supplier to make several visits to the home at different times of day. This approach should be kept under review.

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?

Friendly credit ensures that customers are not disconnected during predefined times or on given dates, regardless of how much energy they use, even if there is no credit on the meter⁴². No disconnect periods for friendly credit usually cover evenings, weekends and public holidays. Emergency credit differs in that it provides a buffer of a limited amount of credit at any time of day or night to help tide the customer over until they can top-up.

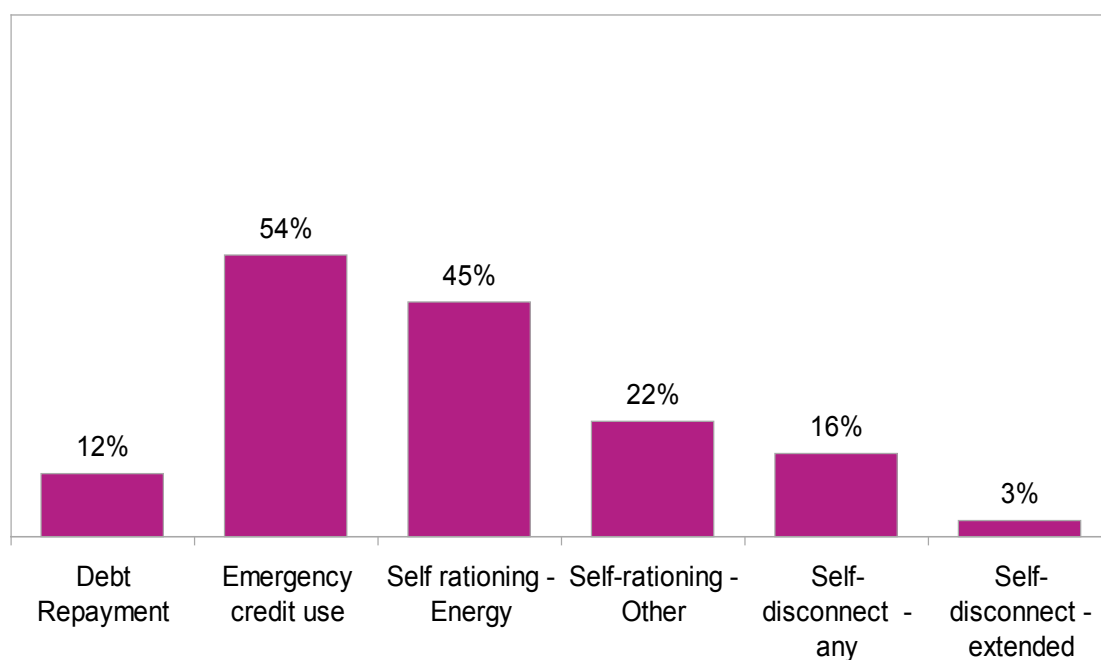
Consumer Focus supports suppliers being required to provide emergency credit to PPM customers for the following reasons:

- **A well used and important service**

Our recent research found that emergency credit was used by 54 per cent of PPM customers. This was usually as a buffer zone, to bridge the gap between credit running out and having money available. For others, the warning beep or the need to activate the emergency credit was a trigger to top-up. It was also used when consumers didn't have time to go to the shop and by those consumers who were simply disorganised or forgetful

⁴² In order to initially access to friendly credit during the no disconnect periods, the customer must have some credit on his meter. However, if this credit then runs out during the no-disconnect period, the customer will remain on supply until the end of the period.

Incidence of key types of behaviour among GB households



Base: All respondents with PPM (718)

- **Helps protect customers in financial difficulties**

Our research suggested that emergency credit was a particularly important safeguard for those on low incomes. We also found that consumers receiving benefits and those who had a PPM installed to collect debt repayments were more likely to have used the emergency credit facility than others in the wider population of PPM users

- **Important protection for vulnerable consumers**

Use of the emergency credit facility was also higher where one or more household residents had a chronic health condition (65 per cent) and where children were present in the home (62 per cent). Given this overwhelming evidence that vulnerable consumers are more likely to use emergency credit, it is important that this facility is retained in a smart world, particularly if it is easier to switch from credit to pre-pay and more consumers are expected to do so

Recommendations

- Consumer Focus recommends Ofgem requires the provision of emergency credit for both gas and electricity when the customer is in pre-pay mode. A minimum level should be set, taking into account the average amount of credit needed to provide a supply for a reasonable time in the customers particular circumstances eg climate, degree of remoteness – in parts of Northern Scotland emergency credit can reportedly be £20 compared to the £5 average
- A minimum amount of emergency credit should be provided on the meter when a customer switches to pre-pay mode

Friendly credit

Friendly credit is needed when emergency credit has been used up. Consumer Focus understands that all suppliers extend friendly credit to electricity prepayment customers where technically possible. But there are currently functional constraints on the ability of suppliers to offer friendly credit on all electricity meters and this function is not available for gas.

As we understand it, smart meters, with the appropriate functionality, could enable the provision of friendly credit and emergency credit for both gas and electricity customers. The mandating of minimum standards for smart meters must ensure that this service can be provided to all consumers when in pre-pay mode. Requiring suppliers to offer this service, would ensure that this essential service was offered to all customers and maintained in a smart world.

Consumer Focus recognises that there is some need for regional variations in friendly credit periods. For example in certain parts of the country there are far fewer options for topping up after normal working hours, also there are different public holidays across Great Britain.

Recommendations

We therefore recommend that high level minimum standards are set that cover:

- Bank holidays in that customer's region
- Times of day/night – as a minimum 6pm-8am

Remote top-up

We are aware that smart prepayment should also allow for a range of remote top-up options to be offered – topping up by phone or internet for example, 24 hours a day. However, as noted, we remain to be convinced that this mechanism is sufficiently reliable. Therefore we believe that friendly credit and emergency credit will need to be available. Moreover, there will always be a significant minority of customers who will rely on friendly credit until they can physically get to a charging point – as noted around a third of consumers do not use or access the internet, so won't be able to take advantage of online options and an estimated two million households don't have bank accounts. Also there will always be those people that rely on the emergency credit while they have short-term cash flow problems.

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

Consumer Focus is not best placed to comment on the necessity of PPMIP or equivalent. However, we would urge Ofgem to ensure that any decision taken ensures high levels of customer service for all customers and does not create barriers to competition.

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?

Consumer Focus agrees that the current need to visit the home to disconnect a consumer acts as an important backstop opportunity to identify vulnerability. Also the cost, resource and time involved in carrying out a site visit to disconnect, especially where a warrant and forced entry is required, currently acts as a safeguard – deterring suppliers from widespread disconnections.

Despite the number of protections that are currently in place to protect vulnerable consumers from disconnection, evidence from the Consumer Focus Extra Help Unit demonstrates that vulnerable consumers continue to be disconnected⁴³. We therefore make the following recommendations:

- We continue to feel that the onus should be put on the supplier to not just take 'all reasonable steps' to check the customer is not vulnerable before disconnecting, but to actually prove the customer is not vulnerable.

We welcome the desire to update the guidance around 'all reasonable steps' but emphasis should be on the supplier obtaining sufficient evidence that the customer is not vulnerable before disconnection takes place. Evidence proves that a home visit on its own will not ensure that vulnerable disconnections do not happen. Ofgem must take care not to unintentionally encourage a tick-box approach by suppliers.

Consumer Focus welcomed Ofgem's recent changes to SLC 27 that clarified licensees' obligations to take all reasonable steps to ascertain the status of a customer and the occupants of any affected domestic premises before disconnection. This was a step in the right direction. It is important that all suppliers take steps to properly understand their customers' circumstances and take all relevant factors into account at all stages of the debt path. But, given the challenges of the smart world and continuing evidence of disconnection, we believe, as with prepayment, the burden of proof should be on the supplier. This could also allow for the streamlining and tidying of licence conditions

- If the current licence condition is not updated to put the burden of proof on suppliers then the guidance for a physical site visit, perhaps undertaken by non engineering staff who have been trained to support vulnerable consumers, will be the minimum that is needed to mitigate the potential for vulnerable consumers being remotely disconnected
- A minimum definition for vulnerability should also be considered to ensure a consistent approach across suppliers. Throughout the Ofgem and Consumer Focus review of vulnerable consumer disconnection in 2009⁴⁴ we raised a number of concerns about the ERA Safety Net, the self-regulatory framework currently in place to protect vulnerable consumers from disconnection. Most notably, the issue of disparity in the way that energy suppliers define 'child' in a vulnerable household. This currently ranges from one supplier defining a child as 'under five years old and in a financially insecure household' as vulnerable to another supplier defining a child as 'under 18 years old, with or without financial insecurity' as a contributing factor. While we are aware of the difficulties that the energy industry faces in agreeing a minimum definition, this disparity erodes the protections that the self-regulatory framework seeks to guarantee, and could potentially lead to damaging or dangerous consequences.

Consumer Focus continues to advocate for all children to be protected, not least to meet the requirements of international legal standards regarding the welfare of children. Ofgem should consider including this in its licence condition given the failure for this to be addressed voluntarily. It is our view that, as an absolute minimum, all families on means-tested or disability benefits with children under 16 years old (plus all families with children under 12), must fall within the safety net definition

- Ofgem should also consider levying a financial penalty on suppliers disconnecting a household in error or disconnecting a vulnerable household. This would act as a powerful incentive on suppliers to ensure that no households are disconnected in error

⁴⁴ <http://bit.ly/dP5Za2>

- As per Ofgem's August interim guidance, any form of load limiting or temporary disconnection of supply should continue to be defined as disconnection in the licence conditions – see Question 13 – this should be reinforced as part of a licence condition

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

At present there are three main instances where a household will be disconnected:

- Disconnection for debt
- Disconnection for meter tampering/revenue protection
- De-energise empty property

In a smart world we would expect that disconnections for debt will decrease as customers are increasingly switched to prepayment but this will depend on the wider approach taken to remote pre-pay and the ability to contact the customer to prove that pre-pay mode is safe and practicable for them to use.

At present, in all cases, suppliers currently have a number of protocols that must be followed prior to a physical disconnection of the supply. The decision to disconnect is then followed by an application for a warrant, where the meter is located within the property and a physical visit to disconnect. At all stages the supplier has the opportunity to ascertain whether any member of the household is vulnerable and to discuss with them payment options and provide notification of disconnection – see also Question 1.

Home visit

In a smart world suppliers will have the ability to disconnect remotely, without a visit to the property. As set out in our response to Question 11, Consumer Focus supports Ofgem's suggestion to require suppliers to carry out home visits prior to disconnection. We would imagine that in instances of disconnection for meter tampering/revenue protection and de-energising of supply that a visit will still be required for legal and safety reasons.

It is important that suppliers continue to make multiple attempts to contact the consumer before disconnection, and that these contacts are made using a variety of communication methods. The home visit, should be carried out prior to disconnection, at different times of day, when contact is not made. It could also be used for non-standard communications that you might not be able to send through the post.

Alternative communications

In addition to the notification efforts during the home visit, suppliers must make multiple attempts to contact customers by telephone and letter. All communications must make clear to the customer the day on which disconnection will be carried out. It is important that consumers receive full information on how they can get back on supply, including payment options and assistance available. These must be carefully worded to encourage contact.

In-Home Displays

Consumer Focus strongly agrees with Ofgem's preliminary view that it is inadequate for information about the consumer's disconnection or remote switch to pre-pay to only be provided via a message on the IHD or meter. There is a risk that consumers might not see, or could fail to understand the message and its implications, or that they may not have or be using their IHD.

That said, we recognise that the IHD could be a useful medium to prompt contact with some customers, where it is done appropriately and used as an additional communication tool – in particular if there is a visual signal on the display eg flashing light or audio sound that accompanies it, which could attract the customer to the IHD and prompt them to phone a free-phone contact number.

Notification

As per remote switching to pre-pay – see Question 8. We support the maintenance of the existing notification period with the provision that suppliers have to follow agreed protocols before disconnection to protect consumers. This should be kept under review, to ward against misuse or shortcutting of the appropriate debt path by suppliers.

Post disconnection communications

In the confidential reports that Consumer Focus provided to each of the big six suppliers following the review of their vulnerable disconnection processes, we set out our concerns about the existing post-disconnection process, which vary greatly across suppliers. It is unacceptable that so many vulnerable consumers were seeking assistance from Consumer Focus following disconnection. Establishing a household's vulnerability and reconnecting vulnerable households to their energy supply must not be dependent upon the intervention of a third party.

During the course of the review Consumer Focus learnt that all suppliers leave contact details in the property following disconnection, and five suppliers then follow this up by attempting to make contact, while one supplier relies solely on the customer making contact to discuss reconnection. It is crucial that all suppliers are required to attempt to make contact with customers, not least to ensure that a vulnerable customer has not been disconnected in error.

It is also important that staff in the teams that are responsible for reconnections are trained to identify vulnerability (and escalate the reconnection appropriately) and also empowered to consider waiving certain fees and charges. Consumer Focus recommended that all suppliers build flexibility into how they apply reconnection charges and how these are collected.

Once a consumer has been disconnected it is vital that all suppliers are required to leave an information pack at the property setting out clearly the reason for disconnection and how the consumer can get back on supply. Through the review of vulnerable disconnections, we found that the best supplier's system holds all disconnected accounts in a dedicated disconnected accounts router, ensuring they are given priority and easily identified. This is controlled by a dedicated team and is an example of industry best practice. Furthermore, some suppliers endeavour to contact the customer within 24 hours of disconnecting them. This we strongly support.

Ofgem's Guidance should include strengthened requirements around post disconnection.

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?

Consumer Focus supports the approach taken by Ofgem in the August interim guidance that partial disconnection – load limiting, or time-limited disconnection – be treated as 'stopping of supply'. The licence condition should be amended to reflect this.

We recognise that there is a strong desire to allow some form of load limiting to encourage customers to reduce their energy consumption. We are aware that Ofgem is currently conducting research into the consumer appetite for energy deals that offer cheaper rates to customers who sign-up to load limiting tariffs. We await the findings of this with interest.

We also appreciate the perceived benefits of this function, encouraging those who are in debt to pay their bills, by, for example, switching off supply before big football games, or popular TV shows. However, on balance, the need to protect vulnerable consumers from disconnection, necessitates the most robust approach. This is particularly the case in the early stages of rollout.

If some form of partial disconnection is allowed, this should be on the basis of a water-tight evidence base – based on both need and customer interest.

Very careful consideration would be required around the wider protections needed to ensure that this functionality is not misused and that customers can in practice access the benefits. This includes:

- Partial forms of disconnection are not allowed to be used with vulnerable consumers – as defined by our proposals in Question 11. The licence conditions will need updating to ensure that the onus is on suppliers to prove, beyond reasonable doubt, that no household member is vulnerable before applying new approaches to partial disconnection. The importance of this was recognised in Ofgem's interim guidance which highlighted, as an example, that those reliant on energy for medical equipment – cannot be exposed to load limited energy in their homes. Furthermore, Consumer Focus has concerns about the ability of suppliers to 'load limit' in winter, when the need for a hot meal and light as well as heat, is paramount
- Suppliers have expressed a willingness to offer load limiting tariffs to customers 'to help them budget' – the implications of this need thinking through
- Ofgem would have to set out in licence conditions a minimum threshold for an acceptable flow of supply. This would have to be very generous to ensure that this capability is not abused and that all customers can still carry out essential activities. It would need to consider the huge variation in household size, property type, heating type eg electricity only households, appliance use (gas or electric cooking), the climate and the energy efficiency of the building to ensure protection
- Customers should not be put onto load limiting tariffs if they reach an agreed credit limit as part of managed credit tariffs
- Customers must have the choice of whether they want a load limiting tariff – they should not be forced onto this, even for non-payment of debt. They should be able to move away from this type of tariff without facing penalties
- Careful thought is needed as to how consumers will be clearly informed about the implications of signing-up to this kind of deal – the advantages and disadvantages. Eg to ensure they understand that in the busy morning rush to get ready for work and school, not all appliances would be able to be on all the time
- Also, how does re-enablement of supply happen – is this done automatically when supply falls below a certain level, or does the customer have to activate it? If the customer has to activate it – does this mean that it cannot be used where the meter is not in a accessible location? Will new 'safe and reasonably practicable' rules need to apply?

- How will customers be warned that they are close to their load limit – via their display or the meter? Will this be an audible signal or a visual one? If the customer does not get the signal – who is responsible, the display manufacturer or the supplier? Where does the customer go to complain? This is particularly a problem if the current proposal, for the supplier to only have responsibility for the display for one year, is adopted

In terms of the implications for wider consumer engagement in the smart metering programme, we would certainly urge caution, as any suggestion that smart meters are being used to carry out remote disconnection or stop customers from watching programmes such as The X Factor or the ‘big game’ could cause consumer backlash.

Consumer Focus supports the idea of a ‘life-line’ of electricity being made available to PPM customers who might otherwise self-disconnect and would urge Ofgem to ban electricity disconnection in a smart world. However, it is crucial that this does not result in a weakening of existing protections and is not an alternative to full electricity supply for vulnerable consumers, especially during the winter months. It is our view that the current licence condition (SLC 27) that prevents vulnerable consumers from disconnection during winter should remain in place and the ERA safety net reviewed in the light of smart meter rollout. Careful consideration would also need to be given to the level of electricity provided and the implications of any debt build up.

We welcome Ofgem’s decision to carry out further research to understand the consumer acceptance of different types of disconnection and to ensure that protections properly cover the range of options that suppliers could adopt. We look forward to seeing the results of this research.

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

We welcome proposals to update provisions in the Guarantee Standards of Performance to ensure that reconnection of supply and payment mode errors are rectified as quickly as possible. As noted this may also have to be extended to IHDs. Where the customer is switched to prepayment in error, suppliers must commit to switching the customer back as soon as the technology and appropriate safety procedures allow. We do not have the evidence to comment on the detail of this. Whatever time frames are decided, customers should also be offered a standard sum to compensate them for the inconvenience and to act as a financial incentive on suppliers to ensure they have robust controls in place.

Consumer Focus supports the provision of a button to re-enable supply being made available on both the meter and the IHD – as previously noted this contingency is essential, particularly given the unreliability of communications – and for advice on how to re-enable supply to be provided during the installation visit.

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.

The smart meter rollout process may also uncover households currently using PPMs where it is not safe or practicable to do so. There must be a process to identify these households and switch them to the appropriate credit payment method eg Fuel Direct, weekly payment, etc.

While the growth of online and mobile top-up methods could bring benefits to online households and those with a bank account, there is a risk that it may result in a worsening of the service offered to households without bank accounts which remain reliant on cash top-up via local payment outlets and those without internet access. The availability of cash top-up options across the country should continue to be every two miles and must be closely monitored to ensure the service is maintained. Similarly, while there will be a growth in ways customers can top-up, suppliers need to ensure that customers without bank accounts, who are likely to include more vulnerable households, do not become part of an ever dwindling group paying higher and higher costs for their inability to use more modern top-up methods.

Whatever mechanisms are adopted in a smart world, steps must be taken to address the issue of misdirected payments as a matter of urgency. This problem has not yet been resolved over a decade after competition was introduced.

See also Question 1 for comments on: managed credit; credit referencing; and private rented sector.

Vulnerable consumers and fuel poverty

Consumer Focus welcomes the commitment to address the needs of vulnerable and fuel poor customers as a priority for the programme. It is critical that all consumers, regardless of income or vulnerability can access the benefits of smart metering. This is especially important given that all customers will be paying for rollout. However, we urge Ofgem and DECC to not just focus on the needs 'resulting from rollout' but to proactively take the opportunity presented by smart metering to improve the delivery of social assistance and customer service more widely to vulnerable and fuel poor consumers. With this in mind, we believe that Question 16, as it stands is too narrow in focus so have therefore outlined our initial thinking on a broader approach for consideration as well as directly answering the question posed at the end.

By way of starting point, we identify the following potential benefits and concerns to low income consumers from smart meter rollout.

Potential benefits

- **Help keep households out of debt caused by inaccurate estimated bills**

If a customer has a smart meter they should automatically receive bills based on their actual energy use. Smart meters could therefore help eliminate problems associated with estimate and late bills, and the knock-on effect where people find themselves in debt, often put onto more expensive payment methods and with barriers to switching to a cheaper provider

- **Reduced costs and improved customer service for PPM customers**

While we recognise that not all PPM customers are fuel poor, Consumer Focus research found that PPM customers are disproportionately on low incomes⁴⁵. We support the inclusion of the gas valve – as if all smart meters have pre-pay functionality as standard, and the appropriate regulatory framework is put in place – this should result in improved customer service and relatively cheaper tariffs for these customers⁴⁶ (see Section 3)

- **Help customers budget more easily and better manage their energy consumption**

Consumer Focus welcomes that all consumers regardless of income will be offered a display, with no upfront cost, giving consumers information on how much energy they are using in pounds and pence. This could help some customers to budget more easily and better manage their energy consumption. It may lead to some households increasing their energy use and keeping warm, without fear of an unmanageable bill landing on their doorstep

⁴⁵ The annual household income of PPM households was markedly lower than in those households without one. Of those with a PPM, 60 per cent had a household income of less than £17,500 compared to 38 per cent of those without. More than half received some kind of means-tested benefit, or disability benefit, and the chief income provider did not have a job in just under half of cases. *Cutting back, cutting down, cutting off – Self-disconnection among prepayment meter users*. Consumer Focus, July 2010, <http://consumerfocus.org.uk/g/4lx>. Page 5.

⁴⁶ Ibid, Annex 4: *Using smart technology to improve prepayment*

- **Changes to debt management – an end to disconnection for electricity customers**

As noted in Section 3, smart meters have the ability to load limit, which could be used to end disconnection for electricity customers. A 'life-line' of energy for customers as an alternative to self-disconnection for PPM customers is welcome but as noted in Section 3, it is crucial that this does not result in a weakening of existing protections and is not an alternative to full electricity supply for vulnerable consumers. It is essential that load limiting is not used as a debt management tool by suppliers

- **Faster and more efficient delivery of help to customers in financial difficulty**

Smart functionality could enable the more efficient and effective targeting of help for customers in financial difficulties. For example, suppliers may be able to more easily monitor the extent to which people self-disconnect, helping to target support more quickly at those that need it. In Tasmania suppliers are required to contact customers who self-disconnect three or more times for at least 240 minutes on each occasion, in a three month period. They have to offer these customers advice on alternative payment options, provide advice on government assistance schemes, and (where the customer has consented) make referrals to the scheme⁴⁷

- **Cost-effective healthcare and social assistance**

The development of telehealth and telecare services could reduce the burden on the NHS and social services and enable people to live independently in their own homes for longer⁴⁸. This is particularly important given our ageing population. For example:

- Specialised smart meter functions could send warnings to carers or suppliers should consumption patterns drastically change, room temperatures fall below a certain level or consumption cease altogether
- Smart technology could be particularly useful for customers with chronic conditions such type 2 diabetes, dementia, congestive heart failure and chronic obstructive pulmonary disease eg consumers at risk of heart attacks may need to take regular blood pressure tests. This can indicate if they are at risk of an attack. If the customer takes their blood pressure in their own home, this data can then be sent to their doctor's surgery via their smart meter communications system. The nurse or doctor then only needs to contact them if the reading indicates there is a problem. This saves the customer the inconvenience of going to the surgery and helps reduce the burden on the doctor's surgery

- **A unique opportunity to provide face to face in-home help**

Smart meter rollout provides a unique opportunity to contact and deliver assistance to low income and vulnerable consumers including hard to reach groups. It is crucial that this opportunity is not missed (see below)

⁴⁷ www.economicregulator.tas.gov.uk. Cited in Smart Pre-pay in Great Britain. March 2010. P.21 Sustainability First. Gill Owen and Judith Ward. This research was part-funded by Consumer Focus. <http://bit.ly/dzwEeM>

⁴⁸ [Project Hydra](http://projecthydra.info/) suggest that delivering the benefits of non-core services over the smart meter infrastructure adds little marginal cost while these extra revenue streams for stakeholders improve the economics of a smart meter rollout. <http://projecthydra.info/>. For more information see also TAHI – Interoperability for Smart Homes and Communities. The Assisted Living Industry Sector Working Group (ALWG) <http://bit.ly/hGaqoe>

- **A unique opportunity to deliver existing social assistance more efficiently and cost effectively**

We have been told anecdotally that the Energy Company Obligation (ECO) is expected to make available in the region £20 billion pounds between 2014 and 2020 to low income and vulnerable groups. There is also money available from other national programmes, such as the Community Energy Savings Programme (CESP), Warm Zones and other local authority and community initiatives, in addition to supplier's own activities and social tariffs. Rollout could also considerably reduce suppliers' search and admin costs; currently estimated to cost suppliers around £120 per super priority group consumer. With appropriate data sharing, smart meter rollout provides a unique opportunity to target existing resources more effectively and cost efficiently at those in need (see below)

Potential concerns

- **It is not known if displays showing fuel costs will cause some poorer families to ration fuel at the expense of their health and comfort**

As noted by Ofgem, while having real-time consumption displays could help families budget more easily, it is not known if having real-time or near price information would lead some vulnerable customers to dangerously ration essential use or self-disconnect more often. More research is needed in this area

- **Misuse of remote disconnection, switching and load limiting, as noted in Section 3**

It is essential that load limiting is not used as a debt management tool by suppliers and that effective protections are put in place to prevent misuse of remote disconnection and switching to pre-pay. It cannot be left to a supplier's discretion to set load limiting amounts

- **Low income families may be less likely to benefit from bill savings**

More than 40 per cent of the savings identified in the IA⁴⁹ are expected to come from consumers using less energy or changing the time of use. It is not known if low income households will have access to the same level of energy savings as middle income customers. People on low incomes may already be more energy efficient due to financial constraints and therefore less likely to see the same kinds of energy savings. The DECC impact assessment estimates that prepayment gas customers could see savings as low as 0.3 per cent⁵⁰. They also may not be able to afford to buy the energy efficiency measures which are needed to help reduce their bills. It is critical that rollout delivers benefits to low income and vulnerable consumers. It is unacceptable that it adds to the hardship of customers already struggling to afford their bills

- **PPM tariffs and customer service could get worse**

Consumer Focus has concerns that PPM customers could end up worse off than they are now. For example, if all displays are not pre-pay ready then this will add to the cost to serve of PPM customers; if top-up is not near instantaneous this will result in a decline in service; if interoperability issues are not resolved then PPM customers will have to wait for their smart meters, but still pay for rollout from day one.

⁴⁹ GB-wide smart meter roll out for the domestic sector. 27.10.2010. IA No: DEC0009. Impact Assessment <http://bit.ly/c4vaQX>

⁵⁰ Ibid. Footnote 1. GB-wide smart meter roll out for the domestic sector. 27/10/2010. p.28 Impact Assessment

We are deeply concerned that if the wrong decisions are made, this unacceptable situation will occur

- **Low income households may not be able to take advantage of lower cost smart tariffs, with some hit by higher charges**

Part of the cost saving to consumers of smart metering is expected to come from customers taking advantage of lower cost off-peak pricing and innovative tariffs, but this may not be possible for some households:

- Not all social groups will be able to reduce their consumption or shift their load to off-peak times. For example, a low income working family is likely to need to use its energy at current peak times – when they come home from work and the children come home from school. Customers who are long-term ill may need their heating on constantly during the winter months. In Melbourne, Australia, research concluded that time of use pricing and increased fixed charges would make pensioners, people on disability support pensions and fixed incomes, and single parents with children significantly worse off. It concluded that it would particularly penalise ‘peaky households with inelastic energy use’, especially those who use electricity for heating⁵¹
- Customers on low incomes are also less likely to have ‘discretionary energy load’ eg appliances such as dishwashers, tumble dryers that they can put on during off-peak periods
- Low income customers are less likely to have smart appliances which will allow them to take advantage of lower direct load control tariffs. It is likely that energy suppliers will offer cheaper tariffs if they are able to remotely turn appliances such as fridges on and off to help control load on the grid
- As noted in Section 2, there is likely to be increased tariff complexity. This may pose particular problems to certain vulnerable consumers. Consumers should be able to opt out of new smart tariffs and not be locked into long-term deals where it is clear they don’t benefit
- In Victoria Australia, they introduced a moratorium on TOU pricing because of concerns about the impact of new tariffs on low income and vulnerable consumers

- **Risks linked to the rollout**

Without additional support many vulnerable consumers in particular may find it hard to engage with their IHD or know how to change behaviour. This could limit their access to the benefits of smart metering. There is also a concern that rollout might be used for distraction burglary, or for misselling

- **Further work is needed on the minimum display standards to ensure usability for all**

Consumer Focus is keen that lessons are learnt from PPM displays rather than repeating existing mistakes. As well as mandating minimum requirements for IHD functionality, Consumer Focus believes that displays should have to pass some kind of consumer usability test and meet inclusivity by design standards. The experiences of PPM users, and those of many customers when trying to set their boiler controls, are reminders that mandating functionality alone is not enough to ensure that consumers can access the information they need and use the technology easily and effectively. See Consumer Focus’s response to smart metering displays consultation for more information

⁵¹ University of Melbourne Smart Meters, Smart Justice, Energy, Poverty and the Smart Meter Rollout 2010.

Next steps recommendations:

- As a first step we strongly recommend that the impact assessment is developed to consider the implications for low income and vulnerable consumers. Unlike DECC's 2007 IA, *Appraisal for Costs and Benefits of Smart Metering*⁵² the impact on fuel poverty has not been assessed. Treasury Green Book guidelines are that such a distributional analysis should take place⁵³. We would question why a similar assessment has not taken place as part of the most recent IA. That all consumers should benefit from rollout is in line with the European Regulator's association, ERGEG's draft best practice guidance⁵⁴
- Ofgem should carry out further research on the impact of TOU and other new tariffs on different social groups including low income and vulnerable consumers
- There must be a systematic review of protections to ensure that low income and vulnerable consumers are safeguarded. In particular around remote disconnection, switching, load limiting, use of managed credit. New functionality must not be used as a debt management tool by suppliers or misused
- Decisions on functionality and communications should be made so as not to preclude the delivery of remote health and social services
- Government/Ofgem should develop a comprehensive strategy to deliver the widest possible benefits to low income and vulnerable consumers – this should look at the potential benefits from new technology, improved processes, as well as the rollout itself and cross working with other departments eg Departments of Work and Pensions (DWP), Health (DH), and BIS. For example, in addition to health benefits there is the potential for smart metering to support wider public policy goals such as the Digital Britain agenda. This could influence decisions around communications and prioritisation and deliver greater cost savings to consumers and tax payers as well as access to key digital services to areas that currently have no or limited connectivity⁵⁵
- More research is needed to understand how vulnerable consumers will respond to near real-time energy information and displays, and what advice should be offered around ensuring an adequate heating regime
- There should be a licence condition which obliges suppliers to not only a) ensure that all customers are offered, at no additional cost, an appropriately designed IHD, where their needs will not be met with the standard display but also b) that they use displays which meet 'inclusivity by design principles' and an agreed usability standard⁵⁶
- Installers must be trained to meet the needs of vulnerable consumers. An example of a consumer that could need additional or repeated explanations could be someone with a mental health condition, a learning disability or a communication disability such as aphasia⁵⁷, which can mean that people take longer to understand spoken language

⁵² *Appraisal for Costs and Benefits of Smart Metering: Rollout Options, Final Report*. April 2007.

Mott MacDonald <http://bit.ly/i9VutW>

⁵³ HM Treasury. *The Green Book. Appraisal and Evaluation in Central Government*.

<http://bit.ly/fbEXke>

⁵⁴ ERGEG Public Consultation Paper on Draft Guidelines of Good Practice on Regulatory Aspects of Smart Metering for Electricity and Gas.

⁵⁵ Department for Business Innovation and Skills. *Digital Britain - The Final Report* (2010).

<http://bit.ly/eUUYhD>

⁵⁶ For more information about inclusive design, see <http://bit.ly/ac9BtL>. For case studies of how inclusive design has worked well in other sectors, see <http://bit.ly/9F2mQZ>

⁵⁷ For more information about aphasia, see <http://bit.ly/f1MbAs>

- Ofgem should work closely with the provider of the Extra Help Scheme for the Digital Switchover campaign to share lessons learnt from what we understand is viewed to be a successful scheme
- Ofgem/DECC should carry out further consultation and host a workshop on developing an extra help scheme for low income and vulnerable consumers

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

Aims of a scheme

Consumer Focus supports the development of an extra help scheme for low income and vulnerable consumers. The scheme should:

- ensure low income and vulnerable consumers can access benefits of smart metering and ensure nobody is left behind. This is particularly important as low income and vulnerable consumers might not see the same benefits from energy reduction, as outlined above, but are still paying for rollout
- maximise opportunities to mobilise and involve local support networks to access and engage hard to reach groups
- improve the delivery of social assistance to low income and vulnerable groups – use existing resources more effectively and efficiently

Mandated scheme

Minimum standards for this scheme should be set by Ofgem following appropriate consultation with industry and consumer groups, not left to suppliers to take the lead. It would also benefit from some central co-ordination. While some energy companies might naturally go the extra mile, experience suggests that this is not always the case. Energy companies would still be able to differentiate over and above this minimum level but such an approach would ensure a good quality service for all low income and vulnerable consumers across all suppliers. Our response to the Rollout Consultation outlines the importance of some form of co-ordination.

Eligible groups – identification

We propose that the Super Priority Group identified for the Carbon Emissions Reduction Target Plus scheme is also the group that is eligible for the smart metering extra help scheme/additional assistance. The Super Priority Group⁵⁸ is comprised of those in receipt of Pension Credit, Child Tax Credit or certain subsets of Job Seekers' Allowance, Income Support or Employment & Support Allowance – an estimated 5.6 million households. It is similar to those who are eligible for cold weather payments and/or in receipt of child tax credit and with an income below £16,190. This group is recognised by Government as some of the poorest and most vulnerable consumers.

⁵⁸ These are: '(1) Pension Credit (2) Child Tax Credit under £16,190 income threshold (3) Income-based Job Seeker's Allowance, Income-related Employment and Support Allowance (that includes a work-related activity or support component) or Income Support, and one of the following: o pensioner premium – disability or severe disability premium – award of child tax credit that also includes an element for a disabled or severely disabled, child or young person – child under the age of five.' Source DECC Impact Assessment – Extending the Carbon Emissions Reduction Target to December 2012, 09/06/2010, page 41

Suppliers would have the discretion to offer this service to other consumers but all super priority group consumers should benefit in some way. Assuming a similar Priority and Super Priority Group mechanism is put in place for the ECO, the Extra Help Scheme could help deliver this support more efficiently, provide consistency across programmes and provide greater simplicity for the consumer.

Mechanism to identify low income and vulnerable consumers

Consumer Focus proposes that an amendment is put in either one of the upcoming energy bills or the Welfare Reform Bill to enable the sharing of data for the Super Priority Group. Data sharing involves the Department of Work and Pensions and suppliers matching their records on eligible consumers so that suppliers are clear who needs to be targeted with the smart metering extra help scheme. If data sharing is introduced it could enable not just the automatic delivery of Warm Home Discount to the Super Priority Group as part of an extra help scheme, but also easier and more cost efficient targeting of the proposed new ECO and other local schemes.

This would also considerably reduce suppliers' search and admin costs; currently estimated to cost around £120 per super priority group consumer. It would also provide a much more comprehensive service to consumers. As noted, ECO is expected to provide £20 billion 2014-2020 – the extra help scheme could enable the delivery of assistance from this programme and other initiatives with a little joined up thinking. It would also enable greater accountability for the supplier obligation, a scheme that has long been criticised for lack of transparency.

A precedent has already been set for data sharing. The Government already has powers to share data of those receiving Pension Credit with fuel suppliers. Section 142 of the Pensions Act 2008 established powers to disclose information relating to pension credit recipients to relevant person and the relevant person were those who hold a licence under section 6(1)(d) of the Electricity Act 1989 (c. 29) or section 7A(1) of the Gas Act 1986 (c. 44) (supply of electricity or gas to premises)⁵⁹. The Government used these powers for the pilot energy rebate scheme, which provided an £80 rebate on electricity bills to those in receipt of the guarantee element of pension credit in early 2010. It also intends to use the powers for a broader group of pensioners in 2011 to provide the Warm Home Discount.

Suppliers could also identify vulnerable customers using their own information, such as the priority services register (PSR), prior to installation. But the PSR, where consumers are classified as vulnerable just for being over 60, is not always a reliable proxy for need. Suppliers could have flexibility to offer the enhanced extra help service to customers of their choice, but all of the super priority group would be eligible. Vulnerability check lists should be used during installation as a further opportunity to identify customers in need.

What might be provided by an extra help scheme for low income and vulnerable consumers?

Pre-installation

- Making appointments at a time when a carer/ interpreter/ trusted friend or relative can be present
- Offering consumers the choice to use an agreed password for security purposes. The most recent draft of the Supplier Code of Practice only envisages offering a password scheme to customers already registered on the PSR.

⁵⁹ <http://bit.ly/fdNG1X>.

As stated above, we believe the scope of the PSR to be limited – for this reason we believe that the password scheme should be extended to cover all consumers targeted by an extra help scheme

- Given that installers will be in the homes of vulnerable people for a prolonged length of time, we suggest that all installers delivering the scheme be subject to an enhanced CRB check. Reforming this process is currently under consideration to make it quicker and less onerous

Enhanced installation visit

There should be an obligation on suppliers to follow a vulnerability check-list and use every opportunity to identify customers in need.

Consideration should be given to the following being provided for free:

- Benefit Entitlement Check (BEC) – in the Warm Front programme all customers are offered a BEC; the average cost to industry of providing a BEC is around £20-30. In 2009/10, 63,285 BECs were carried out. The average weekly benefits increase for customers identified was £35.58. The average annual increase in benefits per customer identified was £1,850⁶⁰. It is clear that this small upfront cost delivers significant financial and quality of life benefits to vulnerable consumers
- Lowest cost tariff/social tariff and payment option advice – we understand that this has been trialled successfully by suppliers as part of the Warm Zones programme. We recommend that Ofgem contact Warm Zones for more cost benefit information
- Free energy efficiency audit including where appropriate a walk around the house to identify where simple changes need to be made. Efergy⁶¹ have some data linked to personalised energy efficiency advice as do OPower – we suggest Ofgem contact them
- Installation (not just leaving them at the home or sending by post) of small measures that could deliver real benefits eg boiler controls, install energy efficient light-bulbs or water efficiency measures, draught insulation etc. We recommend that Ofgem contact Groundwork for more detail on the work they have been doing with Southern Water during water meter installation⁶². Also to explore the potential link-up with existing schemes in the water industry
- Referral (not signposting) to grant programmes for energy efficiency measures – this should include local schemes, specific to that area and any grants available under the ECO
- Energy efficiency advice specific to their context – stressing in particular the importance of an adequate heating regime. As noted, efergy have some useful data linked to personalised energy efficiency advice
- As with current debt and disconnection practice, installers should use every point of communication as an opportunity to check and record whether any consumer in the household is vulnerable and signpost customers to the priority services register and refer them onto the extra help scheme. The comprehensive vulnerability checklist developed by Consumer Focus during the 2009/10 review of vulnerable disconnections could be a useful tool for suppliers to help identify vulnerability and will need to be adapted appropriately

⁶⁰ Source: Warm Front Core Messages, provided by the Warm Front Delivery Advisory Board. Full document available on request.

⁶¹ efergy is a global manufacturer of energy saving products <http://www.efergy.com/>

⁶² <http://bit.ly/e4k2Sd>

- If a customer is on prepayment and it is clear that their meter is not in a safe and practicable location it is imperative that this is relocated or they should be enabled to use a payment method which is better suited to their needs. This should be done at no additional cost or penalty to the customer. See Consumer Focus response to prepayment in our response to the protections consultation
- Link-up customers with local schemes and third party advice eg on debt, fire alarm installation
- We would expect all customers to be given a demonstration of how the smart meter and IHD operate. Depending on whether the consumer has any additional needs or a particular disability, the installer may need to take extra time to explain, checking back with the consumer to ensure that they have been understood

Post installation

- A follow-up programme must be developed to ensure that the customer has been able to use and engage with the display; to check they have taken advantage of any benefits identified; and, if not, to help overcome any barriers that may have presented themselves which stopped the customer from taking action

Further mechanisms for delivery

- Supplier installation code of practice should set out minimum standards for pre, during and post home visit – underpinned by a licence condition, monitored and enforceable. This includes that staff that are appropriately trained to deal with the needs of vulnerable consumers
- We welcome recognition of the importance of local co-ordination in engaging consumers. Informal networks are particularly useful in helping to reach hard to contact groups or provide additional help and support for vulnerable consumers. In particular, the role that trusted charities, agencies and key opinion formers can play in easing fears around smart metering. As outlined in our response to the rollout consultation, we support an independent body having responsibility developing an extra help scheme. In particular this body could help mobilise local networks and key opinion formers as with the Digital Switchover campaign. Evaluation of the initial six Warm Zone pilots found considerable merit in the street by street zone approach and revealed that the most effective pilots increased energy efficiency improvement activity by a factor of seven over and above business as usual. It also reportedly enabled the delivery of assistance to hard to reach groups and well as more efficient delivery of help to residents generally from alignment of project resources⁶³
- A co-ordination body is needed to act as a single point of contact for key agencies such as health authorities and the police. Mobilising the ‘Big Society’ was a key part of the Digital Switchover campaign. They reportedly had 1,000 volunteers for just the Granada TV region of Greater Manchester⁶⁴
- Data sharing mechanism in one of the energy bills or the Welfare Reform Bill – as per above. Legislation passed ahead of the Digital Switchover meant that the BBC was able to obtain the database for over 75s from the WP so they knew who was eligible for a free TV licence so that letters could be sent directly rather than asking people to apply

⁶³ Warm Zones External Evaluation. Final Report to DEFRA and DTI March 2005. Prepared by CSE, NEA and EST. <http://bit.ly/gyy5Jh>

⁶⁴ Presentation to the Consumer Advisory Group on 18 February (2010) by Anna Popova <http://bit.ly/h8i6tS>

- As part of the Digital Switchover we understand the following groups are eligible for the Help Scheme – consumers that are: are aged 75 or over; get or could get Disability Living Allowance, Attendance Allowance, Constant Attendance Allowance or mobility supplement; or have lived in a care home for six months or more; or are registered blind or partially sighted. More than seven million people were expected to qualify for the Help Scheme.⁶⁵ Of these, some groups received the service for free⁶⁶, otherwise a charge of £40 was made

Post installation

As noted in our response to rollout consultation, Consumer Focus is minded to support Ofgem's proposal that at this stage no one *group* of customers should be prioritised for rollout. This should be kept under review. It is essential that no one group is left behind. As far as we are aware, appropriately designed displays for many vulnerable groups, are not yet available and trials of approaches with low income and vulnerable groups limited. There are also likely to be teething problems with rollout including problems with new technology and installations; vulnerable consumers are not best placed to deal with these issues and should not be guinea pigs for the new programme. However, priority should be given to supporting existing local and national schemes which promote energy efficiency and tackle fuel poverty, including social housing strategies. Lessons should also be learnt from the switch from token to card PPMs where many vulnerable consumers were the last to switch to updated meters.

Recommendations:

- We recommend that Ofgem carry out much more work around the potential benefits to low income and vulnerable consumers and consult more widely. In particular we suggest that the regulator seeks to identify lessons learnt and possible approaches from Groundwork and Southern Water, Warm Zones, EAGA and efergy
- Prompt action must be taken to ensure that data sharing opportunities are not missed, with an amendment made to the current or upcoming energy bills

⁶⁵ <http://bit.ly/gM9JQz>

⁶⁶ Those that also receive pension credit, income-related employment and support allowance (ESA(IR)), income support or income-based jobseeker's allowance

Cost recovery and monitoring of costs

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

Consumer Focus strongly agrees that levying a one-off up front charge for the standard smart meter or IHD is not appropriate. This should include the cost of any re-location of the meter or other works that need to take place to install the smart technology. An upfront charge would place an unfair financial burden on some consumers as well as discourage smart meter take-up by some energy customers, which would result in increased costs overall.

As regards to who pays and when, we have a preference that costs are met by all consumers and spread across the whole customer base. Though, we appreciate that the best approach is not clear cut. We urge Ofgem to ensure that, whichever approach is adopted, suppliers behaviour in practice is kept under close review to ensure that consumers do not incur detriment. We make the following comments:

- On the face of it, only those consumers who get a new meter paying for one (whether by higher cost tariff or increased standing charge) seems a fair approach. However, this fails to take into consideration that this is a mandated rollout and many people who receive a smart meter will not have requested one, and that not all consumers will be able to achieve bill savings as a result of the new technology and may not see any benefits. 2.5 million meter installations per year take place as a result of ongoing metering activities eg new builds, electricity re-certifications and gas meter replacements, switching between credit and PPMs and repairing meter faults⁶⁷. We could therefore have a situation where many consumers are forced to pay higher tariffs for technology they don't want and can't benefit from
- The introduction of a new tariff or an additional standing charge could impede the efficiency of rollout ie customers may refuse to let installers into their homes if feedback was that they were subject to additional charges once their new meter was installed
- The assertion that a customer will simply be able to switch supplier if they don't want to pay this cost via a more expensive tariff or standing charge is questionable if all suppliers adopt a similar practice, and if smart meter rollout is mandated. If the customer's meter needs replacing because it has come to the end of its natural life, as rollout progresses, it is less and less likely that any supplier will offer the option of a dumb meter either
- It is also worth noting that the cost of smart metering technology at the beginning of the rollout is likely to be significantly higher than towards the end. How and where this cost falls will have important equity considerations. We support that any costs should be recouped over the lifetime of the meter, and in relatively small amounts

⁶⁷ *Smart Metering Implementation Programme: Rollout Strategy*. Para 2.3. p.8

- When making this decision, it also needs to be considered whether any particular groups will be prioritised during rollout. Eg if fuel poor consumers are prioritised during rollout, it would be inappropriate for them to pay more for their energy tariffs following a smart meter installation, particularly when it is unclear if they are likely to see the some energy efficiency benefits. They could also end up paying more than they would have if they got the technology later, and be the least able to afford to upgrade their meters and displays in the future. Though this would be dependent on whether or not they benefit from extra help as part of the rollout
- We recognise that, if the cost is spread evenly across the whole customer base, it could be a case of 'pay now but get the benefits later' for millions of householders. This raises real fairness concerns. On balance, given the mandatory nature of rollout and wider issues, it may however end up being the fairest approach if certain protections are implemented:
 - If the appropriate monitoring mechanisms are put in place, and the costs are spread across the lifetime of the meter the impact on consumers' bills would hopefully be relatively low and cost savings from improved efficiencies being passed on, and benefiting all consumers
 - It is unclear if significant amounts of consumers will need to have their meters re-sited in order for smart meter technology to operate. It may also be more expensive for customers in certain property types and locations to have a smart meter installed eg those in high rise flats, social housing or rural areas. Given that installation will be mandatory and customers effectively have little choice in whether they want the technology installed, it seems inappropriate that they should pay a higher amount. This could have a particularly negative impact on low income households
 - In addition to the above, the Energy Networks Association have told us that an estimated 16 per cent of meter boxes are broken and while standard meters can operate when the boxes are cracked, smart metering cannot. Where this cost fall when this problem occurs needs consideration
- We agree that the risk of customer resistance from increased energy tariffs is likely to encourage many companies to spread the cost across the whole customer base. The following protections need to be put in place:
 - Careful monitoring needs to take place to ensure that there is a consistent approach adopted by suppliers across all payment types and that no one group is disadvantaged by any approach adopted
 For example, we have concerns that PPM customers would be particularly disadvantaged if all suppliers spread the costs across the customer base. Unless interoperability problems are resolved they may not have access to the benefits of smart metering at the beginning of rollout and therefore would be paying for a technology from which they could not benefit
 - Fairness could also be improved by ensuring that customers who request a smart meter are able to receive one within a given time frame. Not only does this capitalise on early adopter interest, to help maximise engagement, but would also help ensure that all customers have access to the new technology that they are paying for

- Consumer Focus has particular concerns about customers who request a smart meter or IHD, and are unable to have one eg due to the location or type of their property the supplier says it is not cost effective to install one. If the cost is spread across the customer base, and they are paying for rollout, they should get some improvement in service for free eg more frequent bills, a clip on display etc
- We support suppliers being able to charge higher cost tariffs for value added products. But as noted in Section 2, this is with the caveat that appropriate protections are put in place and consumers are able to make informed decisions and have real choice about the new deals they are entering into

Monitoring of costs

We welcome the recognition that the smart metering programme needs to be monitored and that there needs to be greater transparency to ensure that if costs are passed onto consumers that they are fair, efficient and proportionate. There is currently no transparent mechanism in place to limit the financial risk to consumers. If costs spiral it is consumers that are expected to foot the bill. Consumer Focus has strong concerns about this.

- We share Ofgem and DECC's concerns about what would be practically achieved by reporting the costs of rollout on consumers' bills
- We support the view that suppliers should report the aggregate costs directly to the programme along with other information that we outline in our response to the rollout consultation. They should also be obliged to report on subcategories of costs to enable the Programme and stakeholders to understand any particular areas of concern. It would be useful to differentiate between the cost/benefits of different subcategories eg cases where meters have to be moved, to understand how they compare with the average. More detail in this is in our response to the rollout consultation
- Consumer Focus also believes that there should be regular reporting on the costs and benefits of the smart meter rollout to Parliament as part of the annual energy statement. Also to the relevant select committees and National Audit Office to ensure public scrutiny and accountability for this multi billion pound programme. We look forward to seeing further detail on this. See also Consumer Focus's response to the rollout consultation
- The reporting framework should be developed as soon as possible not 'during subsequent phases of the programme' – millions of meters are expected to be installed before 'Go Live' and we have particular concerns about accountability in the early phases. Suppliers should report on all installations, including those before mandating takes place
- Reporting should be license backed so that suppliers aren't able to opt out and there's a consequence if they misreport
- DECC's IA estimates that rollout will cost around £10 billion⁶⁸. In reality, nobody really knows how much rollout will cost. It is assumed that 100 per cent of the cost savings to suppliers will be passed on to customers and that the competitive market will act as a price restraint on suppliers. Experience in several other parts of the energy market (like falls in wholesale prices or with PPMs) suggests that this is an over-simplification. A 'business as usual' approach to reporting is not appropriate

⁶⁸ *GB-wide smart meter roll out for the domestic sector*. 27.10.2010. IA No: DEC0009. Impact Assessment. <http://bit.ly/boSVjC> p3

- Greater transparency and accountability is particularly important as we believe that the energy company business case for smart metering has been underestimated in recent years and is becoming increasingly strong as technology advances and understanding of utility benefits grows. We would point to relatively new suppliers such as First Utility and Utilita who are currently deploying smart electricity and gas meters as an indication of this. There are also the following risks (see below)

Low income consumers

Consumer Focus is disappointed by the lack of consideration given to the impact of smart metering on low income and vulnerable consumers. Unlike DECC's 2007 IA, *Appraisal for Costs and Benefits of Smart Metering*⁶⁹ the impact on fuel poverty has not been assessed. Treasury Green Book guidelines require that such a distributional analysis takes place⁷⁰. We would question why a similar assessment has not taken place as part of the most recent IA. Consumer Focus believes that all consumers should benefit from smart meter rollout. This is in line with the European Regulator's association, ERGEG's proposed best practice guidance⁷¹. If the costs of smart metering are spread across the entire customer base, as is currently proposed, all consumers will be expected to pay for it. There will be winners and losers from the proposed rollout. It is important to identify which groups might be adversely impacted and take steps to ensure they get some benefit from the rollout they are paying for. Steps must be taken to ensure that low income consumers in particular are not worse off financially.

Risks of cost inefficiency

- DECC's IA highlights that 'there is greater risk to consumers in terms of cost' from accelerated rollout⁷². This is because there would be higher capital costs as it would be necessary to acquire the equipment, competent labour and meters within a compressed period. There would also be additional stranded assets (ie meters that will need to be removed before the end of their natural life) as well as less scope to adjust the delivery and learn from mistakes. We urge Government to focus on getting the rollout right rather than pushing for it to be done quickly. We believe that greater acceleration towards the later years of rollout would be a more effective way to meet the goal of an accelerated rollout, rather than allowing suppliers to install millions of meters ahead of the full regulatory framework and interoperability being in place
- Many of the meters and displays that are being installed now by suppliers are not compatible. This means that customers may have to have their meter and display changed if they switch supplier. This adds additional cost, inconvenience for the customer, is a waste of resources and acts as a barrier to switching and competition. This has to be addressed as a matter of urgency
- Consumer Focus seeks reassurance that appropriate consideration has been given to the wider cross-sector cost savings to tax payers and consumers that could be delivered from smart meter rollout. These are not explicitly included within the IA. For example:

⁶⁹ *Appraisal for Costs and Benefits of Smart Metering: Rollout Options, Final Report*. April 2007. Mott MacDonald <http://bit.ly/i9VutW>

⁷⁰ HM Treasury. *The Green Book. Appraisal and Evaluation in Central Government*. <http://bit.ly/fbEXke>

⁷¹ ERGEG Public Consultation Paper on Draft Guidelines of Good Practice on Regulatory Aspects of Smart Metering for Electricity and Gas.

⁷² *Opcit footnote 1*: p.34

- a. The potential to dovetail any rollout of water metering with smart meter rollout, particularly in water stretched areas – to deliver bill savings to water consumers. This will impact decisions on the minimum functionality of water meters
- b. The potential to support wider public policy goals such as the Digital Britain agenda – this could influence decisions around communications and prioritisation and deliver greater cost savings to consumers and tax payers⁷³
- c. Possible cost savings to the National Health Service (NHS) – decisions on functionality and interoperability must not preclude the delivery of telehealth and telecare services which could reduce the burden on the NHS and social services and enable people to live independently in their own homes for longer⁷⁴. This is particularly important given our ageing population

For example, consumers at risk of heart attacks may need to take regular blood pressure tests. This can indicate if they are at risk of an attack. If the customer takes their blood pressure in their own home, this data can then be sent to their doctor's surgery via their smart meter communications system. The nurse or doctor then only needs to contact them if the reading indicates there is a problem. This saves the customer the inconvenience of going to the surgery and helps reduce the burden on the doctor's surgery. This kind of technology could be particularly useful for customers with chronic conditions such type 2 diabetes, dementia, congestive heart failure and chronic obstructive pulmonary disease. Development of remote solutions could be facilitated if decisions on the functionality and interoperability of technology are taken with these opportunities in mind

- d. Opportunities to more efficiently deliver assistance to low income and vulnerable consumers eg linking up of local and national fuel poverty schemes, extra help during the installation visit. This could help meet Government targets to eradicate fuel poverty. This is particularly important as it is unclear if low income customers will get the same energy savings from smart metering

Consumer Focus seeks assurances that 'joined-up thinking' is happening across the regulators – Ofcom, Ofgem, Ofwat and OFT – as well as across the relevant government departments. Given the potential cost savings to consumers and tax payers we think Ofgem and DECC should further develop the IA to consider these possibilities. Failure to do so would be a missed opportunity for tax payers and energy and water consumers.

⁷³ Department for Business Innovation and Skills. *Digital Britain - The Final Report* (2010). <http://bit.ly/eUUYhD>

⁷⁴ *Project Hydra* suggest that delivering the benefits of non-core services over the smart meter infrastructure adds little marginal cost while these extra revenue streams for stakeholders improve the economics of a smart meter rollout. <http://projecthydra.info/>. For more information see also TAHI – Interoperability for Smart Homes and Communities. The Assisted Living Industry Sector Working Group (ALWG) <http://bit.ly/hGaqoe>

Network led rollout – opportunity for cost savings

As noted in our 2009 response to DECC's consultation on smart metering, Consumer Focus continues to believe that inadequate consideration has been given to the network-led rollout model. This is despite the fact that 23 out of 25 other countries in Europe and most countries worldwide have adopted this approach.⁷⁵

We recognise that any move away from the supplier-led model is going against a strong tide but still firmly believe that a proper assessment should be carried out. The distribution network-led model arguably lends itself more easily to the delivery of public policy and consumer benefits. For example:

- The approach best lends itself to a co-ordinated regional rollout and the efficiencies and cost savings that could result. Frontier Economics suggests that such an approach could result in almost a further **£3 billion** in cost savings⁷⁶
- Separation of supplier sales and marketing activities and distributors' rollout activity not only maximises customer buy-in and trust but also ensures that energy suppliers are not given an unfair competitive advantage in the delivery of energy products and services as Green Deal is developed
- There would arguably be more transparency and regulatory oversight in relation to costs and savings passed on to consumers and potentially less financial uncertainty as how much networks could spend would be limited by price controls
- It would be easier to manage and develop a smart grid to achieve Government aims of security of supply and a low carbon economy
- It would be easier to maximise synergies with water meter rollout, the Digital Britain agenda, healthcare opportunities and local and national energy efficiency and fuel poverty programmes

General comments

The IA suggests that by 2020, the average energy bill for a domestic customer that takes an electricity and gas supply will be £14 lower as a result of smart metering. It should be noted that:

- The American Council for an Energy-Efficient Economy reviewed more than 36 different residential smart metering and feedback programmes internationally. This is the most extensive study of its kind. Their conclusion was: 'To realise potential feedback-induced savings, advanced [smart] meters must be used in conjunction with in-home (or on-line) displays and well-designed programmes that successfully inform, engage, empower and motivate people'.⁷⁷ Ofgem and DECC need a strategy to deliver the behaviour change required. We would urge Government to carry out an IA to establish the costs and benefits of different types of engagement strategies, including social marketing. This is particularly important as a saving of £14 may not be sufficient incentive for many affluent consumers to take action
- We do not think that realising the energy saving benefits should be led by suppliers. Consumer Focus's survey of 2,000 customers (March 2010) reported that only 23 per cent of gas customers and 26 per cent of electricity customers

⁷⁵ *Status Review on Regulatory Aspects of Smart Metering (Electricity and Gas) as of May 2009*. Ref: E09-RMF-17-03. <http://bit.ly/h7nJYn>

⁷⁶ *Less is more? How to Optimise the Smart meter Roll-out*. Frontier Economics. January 2008. <http://bit.ly/cliQ5S>

⁷⁷ ACEEE Advanced Metering Initiatives and Residential Feedback Programmes (2010). <http://bit.ly/eSYi6p>

trust their supplier to give them help and advice on cutting their energy bills and going green⁷⁸. Experience in parts of the US and Netherlands where customer concerns about data privacy and health issues led to the halting of rollout, are a reminder that suppliers are not best placed to counter concerns as they are deemed to have a vested interest. There is arguably also not the incentive structure in place for suppliers to deliver the scale of energy reduction that is needed

Consumer Focus is therefore calling for:

- a. A mandatory supplier code of practice which obliges suppliers to offer the following:
 - Minimum levels of energy efficiency and water efficiency advice before, during and after the installation visit – both verbal and hard copy information
 - Signposting of customers to impartial information on energy efficiency measures and how to cut their bills
 - A demonstration on how to use their display by an appropriately qualified advisor
 - Some kind of free energy efficiency audit – Consumer Focus research showed that 60 per cent of customers would be interested in this
 - An enhanced service for low income customers and additional support for vulnerable customers
- b. The setting up of an independent smart metering delivery and campaigns body. This would:
 - Run and develop a national engagement campaign along the lines of the Digital Switchover campaign, helping to mobilise the 'Big Society' in local communities
 - Help co-ordinate the activities of energy suppliers with: each other – including ensuring common core messaging; with other national energy saving programmes such as the Community Energy Saving Programme (CESP), Warm Front or its equivalent, and local campaigns eg local authority initiatives. This could help pool resources and maximise synergies with existing sustainability programmes

⁷⁸ This was an online survey of 2,048 consumers aged over 18 years conducted by ICM on behalf of Consumer Focus. Full findings will be available in January 2011.

Other consumer issues

See also Consumer Focus responses to the consultations on Data Privacy and Security, Rollout and In Home Displays respectively.

Interoperability

Consumer Focus continues to have severe concerns about the lack of interoperability of smart metering technology. Despite official rollout not starting until 2012 at the earliest, some suppliers are already installing smart meters in people's homes. There are expected to be in excess of two million meters installed before the end of 2012. Many of the meters and displays which are currently being installed are not compatible. The risk is that if a customer wants to change supplier they will have to change their meter, display or in-home communications. This is inconvenient for the customer, costly, wastes resources and acts as a barrier to switching with a potentially negative impact on competition. This needs to be addressed as a matter of urgency and consideration given to limiting the number of meters installed until this is addressed.

Billing

Consumer Focus believes that existing rules around billing and back billing are not robust enough and that problems are likely to be exacerbated during smart meter rollout. We have already made a separate referral to Ofgem to address this issue as the existing voluntary Code of Practice for Accurate Bills is not working as effectively as it should. Eleven suppliers are not signatories including one of the big six suppliers. The back billing rules came into effect in 2006 but industry has not developed a comprehensive set of scenarios where the rules should apply. Even those that sign up to it do not always apply the rules consistently. This lack of consistency makes it hard for consumer groups to communicate customer rights. It can also be difficult and frustrating for customers to get a resolution to problems under the current scheme.

Our sister organisation Consumer Direct is already reporting problems with back billing where smart meters have been installed, as long-running billing problems come to light and new issues arise. Also, despite having a smart meter installed, some customers are reporting that they are still receiving estimated bills. We are therefore calling on Ofgem to, via licence conditions, oblige suppliers to:

- Abide by the existing code of practice on back billing and any new rules that Ofgem introduces. This will include that a customer cannot be back-billed for more than a year where it is the supplier's fault
- Where a customer has overpaid on their energy give them a prompt refund
- Provide accurate bills where a smart meter is installed
- Continue to provide free hard copy bills. This is important as a third of consumers either do not use or have access to the internet and often these customers are disproportionately on low incomes
- Give special consideration to low income and vulnerable consumers around back billing including affordable repayments and debt write-off

Experience in parts of California and Texas, where 'bill shock' has led to calls for a moratorium on rollout and legal action against the energy company, shows the importance of addressing this. A key commitment of the smart metering programme is also to end estimate and inaccurate bills. If this fails to be delivered it will undermine customer trust.

Customer choice

Consumer Focus would welcome clarity on what will happen if a consumer refuses to have a smart meter installed. In parts of the US, customer fears around health and high costs have prompted some people to chain up their dumb meters to prevent smart meters being installed. Will customers be forced to accept a smart meter or will they have the chance to say 'no'? In the Netherlands it was originally proposed that if customers refused a smart meter they would face a fine or even a jail sentence. This contributed to a consumer backlash against smart meters and the halting of rollout. Ofgem has stated that it will not be following this approach and doesn't expect warrants to be issued to forcibly install meters. However, it is unclear what will happen once the Government has mandated the programme if customers refuse.

Consumer Focus research (March 2010) found that 10 per cent of customers are not interested in having a smart meter installed, with a further 23 per cent 'not sure' despite the benefits being explained. This suggests that a significant number of consumers could be resistant. Consumer Focus believes that customers should have a choice in whether or not they have a smart meter installed – the emphasis should be on proving the case for the new technology and winning over hearts and minds.

Inspection of the meter

We are not technical experts and therefore are not qualified to assert whether a two-yearly meter inspection will be needed with smart metering technology to safeguard consumers. It is critical however that whatever system is adopted that customers are protected. Ofgem must have confidence (a) that diagnostics are able to pick up and report tampering or fault remotely and (b) in the robustness of the technical accreditation regime that approves these meters for use (ie that if meters are installed with a life expectancy of say 20 years that they actually will last that long).

Adequate time must be factored into the smart metering programme to appropriately test systems and technology. It is imperative that the push to accelerate rollout does not result in short cuts being taken in this area with consumers unwittingly being guinea pigs for new initiatives. It could be argued that the new communications system means that the overall system is more sophisticated than existing metering and therefore more can potentially go wrong. In addition to the Health and Safety Executive we recommend that Ofgem seeks the views of the National Measurement Office (NMO) on whether 'in service' reads are needed, and if so how frequently (to capture the reliability, accuracy angle).

If the balance of evidence suggests it is safe, one option may be to use the existing derogation process to run trials on a subset of the population; if reducing the frequency of physical reads works appropriately for the trial set, it could be subsequently rolled out to the wider population later. If it doesn't, the derogation can be removed without having exposed the wider population or scrapped the power. This might give a bit of flexibility and future proofing.

Health issues

Consumer Focus seeks urgent reassurances from Government that smart metering technology is safe from a health perspective and that appropriate testing has taken place. It is unacceptable for rollout to continue until this fundamental issue is clear. Concerns have been raised about the impact of radiofrequency (RF) emissions⁷⁹ from both the Home Area Network and the Wider Area Network on human health.

⁷⁹ The radiofrequency (RF) spectrum is one type of radiation within the electromagnetic (EM) spectrum

We urge Government to take this issue seriously and consider health implications when mandating minimum standards for functionality, data management and transmission.

As yet the evidence available appears inconclusive. Decision makers and industry should be mindful that perceived risk can cause considerable anxiety to some people:

- The World Health Organisation (WHO) does not currently consider electromagnetic fields (EMF) to pose a risk to health. But it is none the less co-ordinating a world-wide programme of EMF studies⁸⁰ with the aim of allowing: '... a better understanding of any health risk associated with EMF exposure'
- The Scientific Committee on Emerging and Newly Identified Health Risks (SCENIHR), the body which advises the European Commission on emerging health risks, adopted an opinion on Health Effects of Exposure to EMFs in January 2009⁸¹. It concluded that exposure to radio frequency (RF) fields is unlikely to lead to an increase in cancer in humans. However, it is not clear what the long-term effects (ie exposure of more than 10 years) could be: '... as the widespread duration of exposure of humans to RF fields from mobile phones is shorter than the induction time of some cancers, further studies are required to identify whether considerably longer-term (well beyond 10 years) human exposure to such phones might pose some cancer risk'

However, it states that there is some evidence that Extremely Low Frequency (ELF) magnetic fields can cause cancer in humans but that: '...it is far from conclusive. This was concluded based on studies indicating that children exposed to relatively strong ELF magnetic fields from power lines were more likely to develop leukaemia than those exposed to weaker fields. These results have not been confirmed or explained by experiments on animals and cell cultures'⁸²

- In terms of harm to the environment, SCENIHR concluded that: 'The current database is inadequate for the purposes of the assessment of possible risks due to environmental exposure to RF, IF and ELF fields'⁸³
- The Health Protection Agency states that: 'On the basis of current evidence, the HPA does not consider there to be a problem with the safety of [wireless local area networks] WLAN'⁸⁴
- The independent Advisory Group on Non-Ionising Radiation (AGNIR) recently revised its opinion on the safety of EMFs.⁸⁵ The information below is taken from a page of questions and answers (see footnote for more details):

There is however some epidemiological evidence that prolonged exposure to higher levels of power frequency magnetic fields, is associated with a small risk of leukaemia in children. In practice, such levels of exposure are seldom encountered by the general public in the UK. In the absence of clear evidence of a carcinogenic effect in adults, or of a plausible explanation from experiments on animals or isolated cells, the epidemiological evidence is currently not strong enough to justify the firm conclusion that such fields cause leukaemia in children. Unless, however, further research indicates that the finding is due to chance or some currently unrecognised artefact, the possibility remains that intense and prolonged exposures to magnetic fields can increase the risk of

⁸⁰ www.who.int/emf/

⁸¹ <http://bit.ly/hsZofB>, page 4

⁸² <http://bit.ly/hxGnu5>

⁸³ <http://bit.ly/hsZofB> page 5

⁸⁴ <http://bit.ly/gUXEtX>

⁸⁵ <http://bit.ly/eUkygL>

Consumer concerns

Even if official studies prove that the technology is safe many GB consumers are likely to have concerns about the health risks associated with smart metering. They should therefore have a choice in the kind of meter that is put in their home, how it works and even if they have a smart meter at all.

It should be noted that health concerns were one of the reasons behind the failure of the smart meter rollout in the Netherlands (along with concerns about privacy). In Fairfax, California high levels of public concern about the health effects of radiofrequency emissions from smart meters (together with concerns about privacy) led to the Fairfax Town Council approving a six-month moratorium on the installation of Smart Meters, which began in August 2010⁸⁶.

The rollout of smart meters was also halted in Watsonville, California: The California Public Utilities Commission's Division of Ratepayer Advocates (DRA) recommended: '... immediate [Public Utilities] Commission action to address concerns about RF interference and possible adverse impacts on health and safety.'⁸⁷ It says that: '... the Commission would be remiss in its duty to ensure "safe and reliable" service if it did not solicit further evidence and perform an analysis.'

In 2008 the **European Parliament** adopted by 559 votes to 22, with eight abstentions, a resolution on health concerns associated with electromagnetic fields (EMFs)⁸⁸. It is worth noting that this resolution received almost unanimous approval, indicating a strong level of public concern. Among others, the resolution urged the European Commission to revise the scientific basis and adequacy of EC limits for EMFs, which date back to 1999⁸⁹.

Electro-hypersensitivity (EHS)

There are concerns in the US that exposure to radiofrequency emissions from smart metering technology could trigger electro-hypersensitivity in some people. The WHO states that: '...a number of individuals have reported a variety of health problems that they relate to exposure to EMF.' It states that it is not necessarily linked to exposure to EMF: 'The symptoms are certainly real and can vary widely in their severity. Whatever its cause, EHS can be a disabling problem for the affected individual.'⁹⁰

However, in Sweden it is recognised as a 'functional impairment'⁹¹. A quick search of the internet will show a number of support and information websites for people that claim to be affected, and there is a community in Southern France which advertises itself as a 'EHS refuge zone'⁹². The UK organisation working on this is:

<http://www.radiationresearch.org/>

⁸⁶ <http://bit.ly/giDV0n>

⁸⁷ <http://bit.ly/gifkuP>

⁸⁸ <http://bit.ly/fAUQ1B>

⁸⁹ Council Recommendation 1999/519/EC of 12 July 19996 on the limitation of exposure of the general public to electromagnetic fields (0 Hz to 300 GHz) fixes basic restrictions and reference levels for the exposure of the general public to electromagnetic fields (EMFs)

⁹⁰ <http://bit.ly/i1GABQ>

⁹¹ <http://bit.ly/ebYJU>. Johansson O (2006). **Electrohypersensitivity: state-of-the-art of a functional impairment.**

⁹² <http://bit.ly/fwB418>

Recommendations

- Decisions on functionality and data transmission and storage should be taken with health concerns in mind
- The smart metering technology should be independently and robustly tested to ensure that it is safe before it is rolled out into consumers' homes. As part of this Government needs to consider the prevalence and magnitude of radiofrequency emissions eg the strength of the signal differs at peak and other times, cumulative effect of a large number of smart meters in a small area such as in high rise flats
- Customers should have choices which mean they are not exposed to any perceived health risks from smart metering at no extra cost. Eg hard wired communications not wireless; a meter that operates as a standard meter
- Government or an independent body should produce and make easily available reliable information on health issues in relation to smart metering. A cursory Google search highlights all kinds of worrying reports from sources of varying degrees of reliability. This could add to consumer anxiety
- Consideration should be given as to whether there should be UK legislation requiring compliance with any EMF protection guidelines⁹³

⁹³ Within the context of general UK safety legislation (the Health and Safety at Work etc Act 1974 and the Management of Health and Safety at Work Regulations 1999), the Health and Safety Executive requirements are as follows: <http://bit.ly/g7U7My>



**Consumer
Focus**
Campaigning for a fair deal

Consumer Focus response to Smart Metering Implementation Programme: Consumer Protections

If you have any questions or would like further information about our response please contact [REDACTED]

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