

Intellect Response to Ofgem Annex 1: Consumer Protection Questions 28 October 2010

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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?

There is concern from sections of our membership that a significant number of consumers who change supplier are either worse off, or unable to determine with any confidence whether their situation has improved.

The ultimate approach for addressing tariff confusion should make best use of some of the unique features of smart metering, especially the local (in-the-meter) record of actual consumption. This data is sufficient for a 'switching site' to *reconstruct a virtual bill* that an individual consumer would have had to pay for *every tariff package from every supplier* in the market. This would offer powerful evidence to individual consumers on whether they were currently getting the best offers available.

Our members suggest two things are required to get this consumer benefit from smart metering, at no additional cost to the industry:

- Consumers must be able to "pull" their own data from their own meters in a manageable format, probably by making use of the proposed HAN or HAN gateway.
- Consumers must be able to pass the appropriate dataset to switching sites in order to discover *exactly* how they have been faring.

This is a no-cost feature which exploits the transformational qualities of smart metering and which would remove much potential "tariff-confusion" at a stroke.

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

The importance of this was emphasised by Intellect in our response to the September questions.

It is essential that the consumer experience is excellent, from early communications to completed installation, to build confidence in the new services. Many of our members suggest this is best achieved through a Code of Practice agreed by all suppliers and embedded within their modified licences. Such a Code will ensure that consumer communications, installation planning, installation visit (including installer identification, handling of difficult access, special provisions for elderly or disabled) and installation feedback are executed consistently and seamlessly, irrespective of supplier.

Building on this, our members have suggested that many of the key factors for success depend on there being coordinated answers to the following foreseeable questions that consumers will ask:

- "When will my house be upgraded?" Implicit in this is the condition, "if I do nothing". Care will be needed to avoid the perception that if you do nothing then you don't get a new meter.
- "What is smart metering?" and "What things will I be able to do?"
- "How does this little display help me?"
- "Will the *price* of electricity go up or down? Will my *consumption* go up or down? Will my *bill* go up or down?"

- “Will I have to pay sooner than before? Will I still be able to get on Pay-as-you-go? Will I be able to get off Pay-as-you-go?”

There are also borderline questions like “Should I get a new fridge?” and ones which we believe are out-of scope like “Should I change my boiler maintenance contract?”

With reference to the five explicit points raised in section 2.21, sections of our membership offer the following comments:

- Customer appointments are a good thing for major work of this type. However, a compromise needs to be struck between the number of appointments per day per field team and the cost of the contingency resource that is required to prevent unforeseen circumstances causing some appointments to be missed. One-hour appointments should be possible in urban areas, but two-hourly may be more appropriate elsewhere.
- The “provision of information” is not straightforward, as what is left unsaid can be just as important as what is said. It may be beneficial to establish a body of material that installers should be obliged to cover as a minimum. Suppliers should generally be free to engage with their present customers to try to ensure they are offering the best energy retail service possible, though they should *not* promote products, whether from themselves or other parties, in **related** competitive markets.
- As far as is practical, government departments and Ofgem should *not* be seen as sources of information other than definitive policy statements and summarised regional and national statistics. The consumer’s first port of call should be “the market” – this will help build and maintain trust and relieve the burden on an already workload-heavy regulator.
- Third party not-for-profit organisations have a key role to play. Smart metering crosses multiple business models and affects a very wide spectrum of people and business sectors. As such, coordination and cross-sector dialogue provided by neutral bodies is vital. This is a role Intellect seeks to play in our relationship with Ofgem.
- In general customer segmentation is a matter for suppliers. Nevertheless it is expected that DECC/Ofgem will have a duty to ensure that no “customer categories” suffer unfair discrimination.

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

Installation visits should be only for physical works and consumer familiarisation, not sales - at least for the primary installation visit

We have collated the thoughts of our members into the following categories:

Primary Purpose of Visit – and therefore acceptable

- To complete the installation there and then, within the appointment period.
- To verify completion with the relevant data centre *during the visit*.
- To ensure that the consumer is satisfied with the installation.
- To ensure that the consumer has been familiarised with the key features of the installation, such as change of supply, selection of tariffs, prepayment, resetting of supply after outage/disconnect and fault reporting.
- To ensure that the consumer knows whom to contact with any further queries.

Additional Acceptable Uses

- If a subsequent visit is needed to fulfil a specific consumer driven order for higher value services (e.g. premium IHD, integration of micro generation products), then limited sales approaches could be included.
- As noted in our answer to question 2, to provide (access to) straight answers to factual questions like “Does loft insulation really make a difference? Is my landlord *obliged* to help me with energy-saving improvements to the premises?”
- To provide contact points for good sources of information.
- The installer should be able to supply the consumer with collateral relating to any advantageous Government, local authority or energy supplier schemes (including energy saving schemes and guidance related to the Green Deal)

Unacceptable Uses

- Solicitation of records of contracts that consumers have with other parties, egg security services or central heating maintenance agreements.
- Negative opinion or comment on other existing systems within the premises (egg HANs) designed to win replacement business.
- Dual-fuel sales to consumers using separate suppliers.

A Code of Practice could be based on existing codes, such as ERA's "Code of Practice for Face-to-Face Marketing of Energy Supply". Several of Intellect's larger members have considerable experience of best practice in customer installation activities and would be pleased to share this with Ofgem and DECC to ensure that the correct mechanisms are implemented within the suppliers' licences.

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

In general, our members believe major intervention is not necessary provided that similar guidelines to those offered in question 3 also apply here.

As previously emphasised, if such messages were to appear on the IHD it would seriously harm the credibility of the project and hamper the positive 'first impression' of smart energy usage which must be made among consumers in their homes.

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?

Intellect members strongly support this principle. Indeed, consumers are, based on the definition of the Data Protection Act, the Data Subjects and should therefore have appropriate control of what is 'their' data. Our members believe it lies at the heart of the two main benefits of smart metering, notably:

- Accessible consumption information *solves* one of the persistent criticisms of the current competitive market, which is that consumers often cannot tell whether a switching decision produced the right result or not.
- Accessible consumption data is also key to the changing of customer behaviour – notably development of *local action* towards the wiser use of energy by more enlightened consumers.

One of our larger members suggests this can be achieved by requiring that one of the datasets held by a smart meter is designed to provide the consumers with *exactly* the information they need to choose the best tariff for them, individually. This dataset could be the same as that

already proposed in the SMIP *Statement of Design Requirements* section 1.34 DS.2 for data storage.

However, building on this point, some of our members do highlight that further consideration must first be given to the definition of ‘*useful levels*’, the governance around providing this data and how they will be enabled to undertake this role effectively.

Consumers will use this data for many purposes, and will require it in many formats. It must therefore be provided in a manner that is user friendly, and easily exportable to a range of devices using a secure, industry standard format.

This will be difficult to achieve in practice if consumer data is mastered in the meters themselves, which are not designed for this purpose. One practical answer to this need suggested by our members would be for the DCC to hold a secure central repository of this data, which the customer could access when required. This approach would address many of the challenges around data privacy and security, and would assist in supplier switching.

It should be possible for the consumer to be able to ‘pull’ locally this data out of his meter in a manageable format so that it can be used by other in-home systems of his own choice, including but not limited to his own PC. All that is required is that the consumer can gain access to the meter HAN either directly or through an available gateway.

Our members strongly support the principle expressed in section 2.31 “that data control rests with the customer”.

Do you consider that existing protections in the licence are sufficient to ensure that consumers are not remotely switched to prepayment mode inappropriately?

Our members generally agree that the measures in the Prospectus provide a good degree of protection to consumers. They note that the introduction of smart metering and the ability to remotely activate prepayment mode or disconnect *changes* the current business processes that the existing protections support and therefore careful consideration should be given to introducing some additional protections in the new process. These could include assessment of the suitability of the location for prepayment, a fast track mechanism to support appeals against disconnection and definition of guidelines surrounding how suppliers interact with customers.

An important step in these protections is that access to the meter must be taken into account using the “safe and practicable” criteria described in section 3.16.

Our members also note there is potential for suppliers to make use of an opportunity to move as many customers as possible onto pre-payment which has higher tariffs which the customer pays in advance. This provides a significant financial incentive and should therefore also potentially incur significant penalties for errant and inappropriate behaviour. Indeed, what constitutes ‘appropriate’ may need to be specified in the code of conduct, in particular as it relates to vulnerable people.

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

Our members generally agree that the provision of an IHD could help overcome accessibility issues with prepayment by allowing a customer to interact with the meter without requiring physical access to it. However, they emphasise that this is not the primary way in which smart metering will overcome issues with meter accessibility. Instead, remote top-up via the DCC will overcome the majority of the access issues that prepayment meters currently face. It is expected that the majority of top-ups could be achieved remotely via web, phone or retail channels that will generate a remote top-up of the meter via the DCC.

Furthermore, one of our members poses the question of *‘how does the IHD maintain its functionality when the meter has switched off the household supply?’* - with emphasis that for prepay consumers, the interactive features are not just ‘nice to have’; they are core elements in access to energy.

Best practice today is that it is not acceptable that access to electricity should be dependent on customer-maintained batteries. Also, although the question has not previously arisen, it may be unacceptable that restoration of power to a house should depend on finding a “loose” object (portable IHD) possibly in the dark.

An appropriate IHD for prepayment, therefore, should be very robust, have uninterruptible power (possibly a lifetime battery, or one maintained by the supplier) and should be wall-mounted.

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

In general, our members expect the notification points and triggers in the process of switching a customer to prepayment to remain largely the same as they currently are. However, the ability to undertake this process remotely would mean that the data checking within the process would need to be more rigorous, and a good agreement will take into account the consumer’s income pattern.

In all cases, our members suggest either a telephone dialogue or bi-lateral correspondence demonstrating full understanding in each case are necessary precursors to a change to prepayment mode. It should be remembered that a switch to prepayment mode could result in an immediate ‘disconnection’ unless suitable counter-measures, such as those available on existing prepay meters, are put in place. Preferably, and probably in the majority of cases, the switch will be mutually agreed so many of the problems arising from a ‘forced’ switch do not arise.

In the less favourable circumstances the switch to prepay is intended to protect the supplier’s credit risk and also, to some extent, to protect the consumer from building unmanageable debt, so two weeks or the beginning of the following month, whichever is longer, is reasonable notice.

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?

Generally, our members believe this can be left to suppliers. However, the success of these features in terms of favourable consumer feedback is suitably imperative that our members would expect them to be routinely offered.

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

Some of our larger members express the belief that smart metering, by nature, *decouples* the previous relationship between how people pay, when they pay and how they are metered. Smart metering renders the traditional differentiation between prepay and credit metering obsolete.

The remaining residual customer segment that is least well addressed is those that prefer to pay ‘over-the-counter’, often in cash. If suppliers continue to offer over-the-counter services, then there will be a continuing need:

- to collect the payments and accept the payment risk
- to identify the customer (or the target meter) at the time of the transaction
- to route the transaction details to the correct supplier

- to forward the cash to the supplier
- to provide a means for the point-of-sale network operator and the retailer (shop-keeper) to charge the correct supplier for its services

In the medium term, a possible simple operational solution would be for the DCC, through its registry function, to route retail transactions to the correct suppliers.

Those members who responded to this question do not see a continuing need for suppliers to have to provide PPMIP services to each other.

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?

In general, our members are happy with these measures.

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

Our members suggest that remote disconnection requires at least the level of diligence that prevails today in order to avoid serious risk of unacceptable unintended consequences.

Moreover, we have received input that *auto-disconnect* (i.e. where the outcome is based wholly on formal system input criteria with no human intervention) is potentially dangerous both at an individual and a population level and is not acceptable.

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?

This is largely a matter for suppliers. Feedback we have received from our larger members operating in this market suggests load-limiting by time may be viable, but load-limiting by power is not likely to be popular due to its uncertain effect on various appliances. This could create a negative reaction to smart metering in general. These features are neither necessary or represent good system value when user-friendly PAYG offerings are also available.

Intellect also takes the view that insufficient weight is attached to the *pro-active* features of smart metering. For example, smart metering should guarantee the provision of frequent accurate bills, removing one of the previous *causes* of payment difficulty, which was the operation of poorly-controlled billing cycles of under-recovery and over-recovery.

There is too much focus on providing complex features designed to force reluctant consumers to pay, and not enough devoted to the provision of excellent service for which consumers will be relatively happy to pay.

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

Our members are largely happy with the proposed approach, but we have also received comments that smart metering was not originally proposed as a means of finding as many ways as possible to insulate energy suppliers forever against the risk of non-payment. More emphasis is required on the consumer benefits of smart meters and how consumers can use them to ensure they are on the best tariff (which they are more likely to pay for) and that they have the information they need to try to consume energy more wisely.

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.

Our members with experience of dealing with the full customer demographic emphasise that there may be categories of vulnerable consumers, especially among the extremely fuel-poor, who may need an extra guarantee that they are on the cheapest tariff and will not be unduly disconnected.

Indeed, with smart metering it would be possible for a supplier to calculate such consumers' bills according to *all* the tariffs it had on offer and to bill according to the lowest, regardless of the actual contract.

Moreover, as remote switching and disconnecting remove the final 'failsafe' check of a meter operator visiting the premises and validating the location of the meter, it places a much larger emphasis on the quality of data held by suppliers and the DCC. Therefore, consideration should be given to defining a code of practice for ensuring and validating the quality of data held for these purposes.

Some of our members have also found that there are psychological impacts that the use of this technology has, particularly in its effect on vulnerable groups, which should be considered. 'Technophobe' consumers may be concerned, for example, that high usage may result in disconnection. There may therefore be a role for education to play to address the social issues of, for example, elderly people who may switch their heating off as they start to worry that the IHD is showing that they are using too much electricity.

One suggestion from our membership is that, as rising block tariffs have a strong tendency to favour smaller consumers and given that the fuel-poor are over-represented in this group, there would seem to be some attraction in making a rising block structure compulsory. Special care would be needed to accommodate single-fuel consumers who use electricity for heating and cooking. Rising block tariffs also offer the maximum incentive for consumers to reduce their total consumption.

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

Targeted, simple and positive education is fundamental here.

Key issues include the provision of information via appropriate media, and in the right language. There is a lot of experience in the industry and among Intellect members of providing such material, including important detail like font size and style, colour schemes, and audible and tactile feedback (for example, push-buttons on occasionally-used devices must provide immediate sensory feedback, or they will be pressed ever harder and more frequently until something breaks).

It has been suggested that some vulnerable consumers may benefit from an option to have a trusted third party (such as a friend, relative, local authority representative, church-member) present when their meters are installed. Local authorities may be able to offer a default service. This could have ramifications for the design of good call-centre appointment-making scripts where allowance would have to be made for vulnerable consumers who cannot commit in one conversation.

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

Our members are largely happy with these proposals; one notable suggestion from one of our larger members is that metering, IHD and all such installation-related costs should be collected via the normal bill. Although it does not seem possible to prevent suppliers from trying to recoup their initial costs sooner rather than later, they will be under strong competitive and financial pressures (as noted in section 5.4) to avoid losing customers by over-charging after completing new installations.