

## Consultation response

Ref 2411

# Smart Metering Spring Package – Addressing Consumer Protection Issues

April 2011

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This consultation sets out Ofgem's proposals for how it will ensure consumer interests remain protected during early moves by suppliers to start to install smart meters ahead of the Government's mandated rollout.

## **Key points and recommendations**

- We agree with the proposal that Ofgem should issue guidance what is safe and reasonably practicable and require suppliers to have regard to this guidance through a licence amendment.
- We agree suppliers should be explicitly required to provide customers on prepayment tariffs with a cash method of payment.
- We think it is reasonable for Ofgem to provide guidance on what it would consider were reasonable steps to ensure suppliers would not be disconnecting vulnerable consumers and to require suppliers to have regard to this when deciding whether to disconnect a household.
- Load limiting and credit management should not be used as an alternative to disconnection for vulnerable households in any circumstances.
- We agree Ofgem should explicitly set out in the supply licences that load and credit limiting amount to disconnection in certain circumstances, but these need better definitions than were offered in this document.
- We totally agree that all steps must be taken to ensure consumers can continue to switch supplier when they have a smart meter installed without the meter having to be replaced.

## **1.Introduction**

1.1 Given that the reduction in energy use by domestic households accounts for 40% of the estimated benefits of the smart meter programme, having their support and understanding will be a major factor in the success of the programme. To ensure this support is achieved the way in which the roll out is managed and how suppliers behave when installing the meters are of critical importance.

1.2 We have been pleased to contribute to the planning process of the programme to ensure consumers receive a positive experience when having a smart meter installed through our membership of Ofgem's Consumer Advisory Group. We all know here is still a lot of work to do which is why we were very concerned at the announcement by British Gas that they intended to start their smart meter rollout from October 2010. This is well in advance of the decisions being taken which are needed to ensure there will be sufficient consumer protection measures, such as an installation code of practice. We very much welcome the speed with which Ofgem has moved in order to produce a package of measures for the continued safeguarding of consumers' interests for those getting a smart meter installed prior to the start of the mandated roll out. We were also pleased when in August 2010, Ofgem issued a letter giving suppliers interim guidance with regard to remote disconnections and remote switching to prepayment.

## **2. Questions 1-6 Prepayment**

2.1 A major implication for customers in having a smart meter is that they can be switched to different tariffs remotely. The particular concern is for customers being switched to a prepayment tariff since this could now be done without suppliers having to make a site visit. A visit meant that it was relatively easy to judge whether the installation of a prepayment meter (PPM) was safe and reasonably practical. i.e. whether the meter is in an accessible place, whether it is at an unreasonable height or whether the customer's circumstances mean they are unable to understand or operate the PPM.

2.2 While we think the existing protections in the licence are sufficient to ensure consumers are not remotely switched to prepayment inappropriately or that vulnerable customers are not disconnected, we think that Ofgem guidance on what are seen as reasonable steps before disconnecting will have to change. We do not think it necessary to insist switching to prepayment tariffs should require a site visit in all cases, which we know to be expensive. However the supplier should be required to show the location of the meter is in a suitable place and the customer is able to operate it. Provided there are recent records of the location of the meter and its suitability as a prepayment option, it would mean the only thing to determine is whether the consumer is capable of operating a prepayment system. Telephone contacts will need to ask sufficient and appropriate questions to be able to ascertain whether the person is capable, whether they are not capable and those that cannot be defined. On this basis it would only be necessary to visit houses where capability cannot be established.

2.3 We therefore agree with the proposal that Ofgem should issue guidance what is safe and reasonably practicable and require suppliers to have regard to this guidance through a licence amendment. We also agree suppliers should be required to monitor prepayment tariff customers in order to pick up behaviour that may indicate that it is no longer safe or reasonably practical for that customer to be on a prepayment tariff and to put them on another payment method. We have no comments to make on the proposed guidance on these issues as outlined in Appendix 3.

2.4 We think, given the time and contact needed to establish whether switching is safe and reasonably practical and what level of repayment is suitable for the customer's circumstances, the current requirement that customers must be given seven days notice of the intention to move them to prepayment remains sufficient. We do agree, however, that suppliers should be required to give customers information on how to use a PPM ahead of switching them.

2.5 It is disappointing that it is thought necessary to explicitly require suppliers to provide the ability to top-up by cash for prepayment tariff customers. However, given this is an expensive method of payment for suppliers and smart meter installation will allow customers to use other cheaper methods of payment, we think it better to err on the side of caution. We agree suppliers should be explicitly required to provide prepayment customers with a cash method of payment.

### **3. Questions 7 – 12 Disconnection**

3.1 As with switching payment methods, the installation of smart meters will allow households to be disconnected remotely. It will require suppliers to take reasonable

steps to ensure they are not disconnecting vulnerable customers during winter months if they are not to have to make a site visit. We think it would only be necessary to require a site visit if the suppliers records cannot positively demonstrate whether the customer is vulnerable. It does not, for example, seem reasonable to require a site visit if the household is on the Priority Services Register.

3.2 We think however it is reasonable for Ofgem to provide guidance on what would be reasonable steps and to require suppliers to have regard to this when deciding whether to disconnect a household. We have no comments to make on the draft guidance given in Appendix 4 of the document. We think the current seven day notice period remains sufficient for smart meters.

3.3 We were attracted by the possibility that smart meters could allow load limiting or trickle disconnection rather than outright disconnection. It could mean for instance that people could switch lights on if going to the toilet during the night which should be a safer option for them than having to do it in total darkness. We are therefore surprised at the results of the opinions of the focus groups as outlined in 2.60. While customers not struggling to pay their energy bills also thought these types of disconnection were preferable, those who were struggling were opposed to them.

3.4 We do not think they should be used in households which are vulnerable in any circumstances. We agree Ofgem should explicitly set out in the supply licences that load limiting and credit limiting amount to disconnection in some circumstances but these need better definitions than were offered in the document.

## **4. Questions 13 – 18 Interoperability**

4.1 We totally agree that all steps must be taken to ensure consumers can continue to switch supplier when they have a smart meter installed without the meter having to be replaced. However we are not competent to answer the questions in this section that aim to achieve this.