Title:	AMO response to Ofgem's consultation on the "Smart Metering Spring Package - Addressing Consumer Protection Issues"
Synopsis:	To document the response to Ofgem on behalf of the AMO
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1. Introduction

1.1. Purpose

This document is the response to the information request from Ofgem dated 7th February 2011, seeking views on the "Smart Metering Spring Package - Addressing Consumer Protection Issues"[1].

This response is not confidential.

1.2. Background

The Association of Meter Operators (AMO) is a trade association representing the interests of its members. There are twenty members[2] on the AMO who include all of the active electricity Meter Operators and the largest gas Meter Asset Managers. Many of these companies also own significant quantities of metering assets, either directly or through associated companies.

1.3. Member Involvement

Many of the AMO members are undoubtedly providing their own response directly to Ofgem. This AMO response does not necessarily represent the agreed views of every member on each issue. This response has been prepared by the AMO Consultant on behalf of the AMO members based on views expressed through individual discussion, meetings and written comments provided by members.

The AMO is grateful for being invited to participate in the DCG & SMDG, many of their sub-groups and workshops arranged by the Ofgem 'roll out' & ROMA teams. The AMO has also submitted responses to the Prospectus and ROMA consultations which included further detail on these issues.

The AMO membership is grateful for the on-going dialog with Ofgem and DECC, including attendance at our meetings to discuss the smart meter programme. The AMO membership would welcome the opportunity to provide any further clarification or discussion of any of the issues raised by this response.

1.4. Key Messages

Point of clarification that operation of the switch/valve in the meter will interrupt the supply but is not the same as 'disconnection' which is used as a defined term elsewhere in the industry.

Care regarding disconnection / interruption of non-domestic supplies which may have significant impact on domestic customers.

Agree with the general point regarding 'safe and reasonably practicable' and extend this so that each instance in which a meter is going to be switched should be assessed for the prevailing risk to the consumer. The criteria must recognise that the occupier of a premises or their capability to operate the meter may well change between the time that the meter is installed and the time when the payment mode change is being implemented.

Commercial interoperability is desirable but meter service providers should be allowed freedom for commercial innovation in a competitive market. The objective must therefore be to assist suppliers in making comparisons between commercial offers but should not be to force standardisation where this will prevent innovation and service differentiation. To the extent that any standardisation of terms or transparency is required then AMO would expect to have a significant role because its members will be directly affected.

[1] www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=186&refer=Sustainability/SocAction/Publications

[2] www.meteroperators.org.uk/members.php

2. Chapter 2

2.1. Question 1, 2 & 3

Question 1: Do you agree with our proposal to issue guidance on safe and reasonably practicable and require suppliers to have regard to this guidance through a licence amendment? If not, what else is needed?

Question 2: Do you agree with our proposal to require suppliers, where they know or have reason to believe that prepayment is no longer safe and reasonably practicable for a customer, to offer an alternative payment method or some other form of action?

Question 3: Do you have any comments on our proposed guidance regarding taking into account whether it is safe and reasonably practicable for a customer to pay by prepayment?

As a point of clarification: In paragraph 2.8 of the consultation document you provide a link to the supplementary guidance. In the guidance paragraph 107 it refers to "...cyclical visits by meter operators...". In this context those visits will be by meter readers and not meter operators.

The guidance document gives no advice on "safe and reasonably practicable" in the context of the position of metering within a property. We have had protracted discussions about whether prepayment metering equipment located in an elevated location, such as over a front door, which may require the customer to use a step ladder to access the meter for recharging, or in the context of smart metering to re-enable. There is not a common view across the industry for an appropriate approach to these situations.

Current installations of pre-payment meters are routinely aborted when the existing/proposed meter location is deemed to be not "safe and reasonably practicable" for the consumer to operate the meter. This results in either the meter position being moved (at a cost) or retaining the credit meter and the reasons for installation of the proposed prepayment meter being reconsidered.

Where a smart meter is installed in a credit mode the location may be deemed to be acceptable as the customer would only need to access the meter for reading. However, you rightly identify the scenario where, some months or years later, the meter is transferred into prepayment mode.

Location information must therefore be:

1. captured at the time of installation, and passed by the Meter Operator to successive suppliers
2. determined at the time of credit to prepayment mode change, which may require a further site visit
3. metering must always be moved to a location which is deemed to be "safe and reasonably practicable" in pre-payment mode
4. where the meter is located in an inaccessible location to install a remote display panel which is robustly (not dependent on batteries, not removable and probably intrinsically linked to the correct meter) and can enable the supply and provide reads.

Option 1 requires some changes to industry processes to capture appropriate information in a consistent way, changes could take a year to implement

Option 2 adds cost for the supplier

Option 3 will delay the installation of a proportion of smart meters and requires development of common guidance to determine "safe and reasonably practicable" in the context of meter location within the property.

Option 4 requires additional installation time/cost for certain installations, but would be cheaper than option 3.

It is implicit in the current arrangements that during a visit to the premises to install a prepayment meter the meter operative will make a judgment as to whether the location is accessible to the particular customer present *at that time*. Where the change of payment mode can occur subsequently to a meter installation this will need to be determined remotely by the supplier call centre staff also bearing in mind

that the occupier of the premises may have changed since the smart meter installation and thus may have different needs and capabilities to use the meter.

2.2. Question 5 & 6

Question 5: Do you agree with our proposal to require suppliers to give customers information on using a prepayment meter ahead of switching them to prepayment?

Question 6: Do you consider it necessary to explicitly require suppliers to provide the ability to top-up by cash where payment is made through a prepayment meter?

No comment

2.3. Question 7, 8

Question 7: Do you agree with our proposal to issue guidance on identifying vulnerability prior to disconnection and require suppliers to have regard to this guidance through a licence amendment? If not, what else is needed?

Question 8: Do you have any comments on our proposed guidance regarding identifying vulnerability prior to disconnection?

As a point of clarification, at 2.42 the consultation document makes reference to 'disconnection of supply for unpaid charges'. The current arrangement, requiring a site visit, involve a physical disconnection of the supply by a qualified technician. The smart meter integral functionality will support an interruption of supply but should not be relied upon as disconnection/discontinuance.

See also our response to question 12

2.4. Question 9, 10 & 11

Question 9: Do you agree that suppliers should ensure rapid reconnection and provide compensation on a voluntary basis where customers have been disconnected in error?

Question 10: Do you agree with our view that the current notification periods for disconnection are sufficient?

Question 11: Do you agree with our proposal to explicitly set out in the supply licences that load limiting and credit limiting amount to disconnection in certain circumstances?

As a point of clarification, load limiting is only relevant in respect of electricity metering. Credit limiting could be applied in respect of both gas and electricity meters.

We have no specific comments on these questions.

2.5. Question 12

Question 12: Are there any protections that should be considered regarding disconnection and prepayment for non-domestic customers? If so, what are these?

A typical non-domestic customer can be dealt with in the way proposed. However there are some customers defined as non-domestic which need to be carefully considered.

In certain domestic properties such as, blocks of flats, shelter housing, housing with some common services will generally have a metered landlord supply. This will be treated as a non-domestic supply and may have a managing agent, housing association or resident owned company as the registered customer. Dependent on the installation the landlords supplies will be used to power one or more of the following: fire alarm system, staircase lighting, door entry system, security system, CCTV, TV/cable/satellite/telephone systems, emergency lighting, lifts, water pumps, fire pumps, sewage pumps, etc. Many of these services are vital to ensure a safe occupancy of the premises. Loss of the staircase, emergency lighting and fire alarms is likely to make a block of flats uninhabitable.

In these cases the remote disconnection of the non-domestic electricity supply without careful consideration will impact on a number of domestic customers. These domestic (possibly vulnerable) customers will not be immediately identifiable to the supplier of the non-domestic MPAN.

Under the current arrangements a physical visit by a meter operative to install a pre-payment meter or de-energise the supply will identify the circumstances and generally lead to an alternative approach which does not result in loss of services. Going forward, an alternative approach will need to be considered to accommodate remote changes to payment mode to continue to avoid disruption of domestic customers.

A meter operative could capture information at the time of the original installation but there needs to be common data items and methods of communication developed to ensure the information is retained and passed to subsequent suppliers.

The above is thought to be an issue for electricity supplies. Where there are common gas services, these will generally be larger than a $6m^3/h$ metering system which is not anticipated to have a remote supply interruption capability.

3. Chapter 4

3.1. Question 13

Question 13: Do you agree that there should be an obligation on the original supplier to offer terms for use of the meter?

The AMO is extremely pleased to see the distinction in paragraph 4.2 of commercial and technical interoperability. This is something the AMO has been repeatedly highlighting.

The issue is highlighted by the identical concerns raised in paragraph 4.13 & 4.15. The use of a termination charge is to financially protect the meter asset provider for the metering equipment not being installed for sufficient time to recoup their investment.

Terms for use of the meter. The commercial incentive will remain for parties to agree reasonable terms. The meter owner will wish for the asset to remain in place as long as it is functionally capable of meeting the incoming suppliers needs. The incoming supplier will wish to avoid unnecessary inconvenience to the consumer. In practice any supplier obligation will be passed to the supplier's agent who is providing the meter. This agent may be a third party, or a subsidiary of the initial supplier's organisation. This is generally referred to as the Meter Asset Provider (MAP). The commercial relationship for continuing use of the meter equipment will probably remain between the agent and the subsequent supplier(s).

In the absence of any licence obligations directly on metering companies, it would appear that placing obligations on suppliers is the only route open to Ofgem.

3.2. Question 14

Question 14: Do you have any comments on the requirement for terms to be reasonable and non-discriminatory and factors we would propose to take into account?

It is reasonable to expect in a competitive metering market that service providers may seek to differentiate their services and this may include innovation in respect of the terms offered. In addition, different agents, facing different costs and with varying views of commercial risk may have differing views on what is 'reasonable'. We do recognise that undue discrimination could introduce inefficiency into the market that could result in unnecessary inconvenience for consumers. Thus, whilst providers of services may be obliged to offer terms, the assessment of any claim of discriminatory behaviour should be left to an independent body. Factors that could be taken into account may include the scale, scope and duration of the service being procured as well as other risk factors that may affect the costs for the service provider. These may also include the need to ensure separation between different contracts and any other features that are required by a particular supplier.

3.3. Question 15

Question 15: Do you agree with the proposed obligation that terms should be transparent?

The current metering market has only a fairly limited range of options available. In some cases the terms on offer replicate the standard regulated contracts whilst in newer commercial arrangements the meter rental agreements also include early replacement charges that compensate the asset provider for premature removal of the meter from service. In practice, the variances in charges between each framework are not thought to be material in the overall viability of volume supply businesses who incur a wholes range of costs.

Publishing competitively negotiated charges would seem inappropriate.

The essential feature of a healthy market is that buyers of the services should be able to reasonably compare the different offers and from that can determine whether to settle into agreement with the meter operator or should instead risk the disruption involved in replacing the assets.

The current frameworks have two broad models, both can be regarded as 'reasonable and non-discriminatory' although the risks fall on different parties slightly differently. Comparing one framework with another will differ depending on the scenarios considered.

Given our comments above, the AMO members would be keen to participate in a joint workshop with suppliers and Ofgem to develop some principles that could be used to develop appropriate guidance such that transparency can be brought into the market without inhibiting commercial innovation. The AMO members would be keen to participate in a joint workshop with suppliers and Ofgem to develop some principles would could be used to develop appropriate guidance. As you appreciate we would need to do any such work within the constraints of the Competition Act.

3.4. Question 16

Question 16: Do you agree with our proposed approach around an obligation to offer terms for use of communications services as part of the Spring Package, and the timeframe for any such obligation?

Publishing competitively negotiated charges would seem inappropriate. If the provision of the meter asset and provision of the communications service is unbundled then the outgoing supplier should as a minimum be required to notify the incoming supplier of the details of the relevant communications service provider and facilitate any contract migration.

Customers will find a smart meter reverting to 'dumb' operation rather confusing and ultimately is a waste of the GB's investment in the assets. If a framework cannot be created then at least the new supplier should be required to inform their new customer that they cannot support the smart functionality. As a consequence of the competitive supply market the customer may then choose another supplier [after 28 days].

3.5. Question 17

Question 17: Do you have any comments on our proposed approach for dealing with prepayment?

We welcome any proposals that limit the unnecessary changes of meters which are costly to industry and disruptive for customers.

3.6. Question 18

Question 18: Do you believe there should be a de minimis threshold before commercial interoperability obligations apply and if so, at what level should it be set?

Although we see the logic of the proposal for a de-minimis level many of these trials and smaller installations have been facilitated by agents on behalf of the supplier. The agents are generally established working for more than one supplier and therefore able to facilitate the proposed provision of services to subsequent suppliers.

The balance to be struck here is weighing the potential barrier that an individual consumer who has chosen to participate in a trial against the wider benefits that arise though conducting operational trials of smart meters. Smart meter trials will often be established utilising small scale processes to test technology and to develop specific components of the end-to-end business process. It is likely to be the case in some instances that exchanging the meter is more efficient than attempting to re-engineer these trial business processes to accommodate supplier churn.

The criteria and risk of potential customer disadvantage will vary depending on the scale, scope and duration of the trial. Thus it may be very difficult to prescribe a de-minimis level.