

Liz Chester
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Dear Liz,

Smart Metering Spring Package – Addressing Consumer Protection Issues

Chapter 2

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

First Utility is of the view that guidance on safe and reasonably practicable would be of benefit to both consumers and the industry as there appears to be some confusion over the application of this. A licence condition requiring licensees to have regard to the latest guidance issued by Ofgem would provide a level of flexibility and allow the guidance to be updated and improved over time in line with industry feedback and customer experience. However, we would suggest that any update by Ofgem to this guidance only be carried out following consultation with the industry.

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?

This seems reasonable, although we would suggest that this be coupled with a requirement, where the customer is repaying debt by means of a prepayment meter, to offer some other form of repayment plan based on the customer's ability to pay before disconnection can be considered as an option.

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?

The guidance seems comprehensive, although we have a question in relation to this. Would the suggested requirement to obtain senior management authorisation prior to moving a customer to prepayment apply only where this was being carried out as an alternative to disconnection? We assume that this would not be required in the case where the customer had requested it but the guidance does not make this clear.

Question 4: Do you agree with our view that the current notification periods for switching to a prepayment meter are sufficient?

We agree that the current notification period is sufficient.

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?

This seems reasonable and should assist customers in making appropriate use of the meter once it is switched to prepayment mode.

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?

It is a supply licence requirement under SLC 27.1 a) that suppliers with over 50,000 domestic electricity or gas customers must offer domestic customers the option of payment in cash. Unless Ofgem is minded to extend this requirement to all prepayment customers irrespective of the size of the domestic customer base of the supplier in question, we feel that SLC 27.1 a) already covers this. However, we would support this change being made if Ofgem feels that it is necessary to support those prepayment customers who have had a prepayment meter installed for debt recovery purposes or as an alternative to disconnection.

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?

As with the requirement to have regard to the safe and reasonably practicable guidance, this seems reasonable and will provide flexibility with the ability to easily update and improve the guidance over time although we would again request that such guidance only be updated following consultation with the industry.

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

Again, this seems reasonable.

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

We agree with rapid reconnection in principle, although clearly priority would be given to vulnerable households. We support the payment of compensation for customers who have been disconnected in error although we would like to request that Ofgem provide some guidance as to where it feels the level of this compensation should be set. We believe that payment in line with the current guaranteed standards of service (i.e. £22) would be sufficient, although the size of the payment could increase if the customer were to be without supply for more than a certain period of time as a result of the erroneous disconnection.

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

We agree that the current notification period is 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?

We agree that this explicit ruling may be necessary to anticipate the case whereby some suppliers may attempt to circumvent the rules around disconnection by means of load or credit limiting.

Question 12: Are there any protections that should be considered regarding disconnection and prepayment for non domestic customers? If so, what are these? Please provide evidence to support your views.

We cannot think of any in addition to those already discussed.

Chapter 4

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

We believe that this is necessary in order to ensure both effective competition and that customers are not potentially faced with the highly frustrating situation of having to switch meters each time they switch supplier.

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?

Terms should be non discriminatory, cost reflective and not structured in such a way that they might discourage the incoming supplier from accepting the terms and thus effectively bar them from supplying that customer.

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

Terms should be transparent in order to ensure that there are no hidden disincentives to take up the contract and thus deprive the customer of their right to switch supplier.

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?

As communications services would generally be provided by a third party we would have thought this could be dealt with by simple contract novation. However, please see our answer to Question 18 below. Given the potential impact that this might have on DCC, we would suggest that this obligation become live once DCC is in place.

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

We believe that the proposed approach laid out in the consultation document is reasonable and appropriate.

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

This really depends on whether Ofgem defines “interoperability obligations” as requiring the existing supplier to allow an incoming supplier to use its installed smart metering technology on change of supplier. If this is the case, then we do not support a de minimis threshold as we feel that all suppliers should have an obligation to facilitate the ability of their customers to switch and still enjoy the benefits of smart metering. However, if “interoperability obligations” is defined as an obligation to also offer communications support to the incoming supplier, then we feel a de minimis threshold may be required as this could be considered a disproportionate burden for smaller suppliers to bear. However, we would like to point out that, in First Utility’s case, all prepayment meters and the majority of smart meters installed are leased from Onstream so it should be easy for any incoming supplier to make use of these.

Please do not hesitate to contact me should you have any questions or require any further information.

Best regards,

Chris

Chris Hill

Regulation