

Liz Chester
Social Policy Manager,
Ofgem,
9 Millbank,
London,
SW1P 3GE

April 12, 2011

Dear Liz,

Smart Metering Spring Package - Addressing Consumer Protection Issues

Thank you for the invitation to respond to the above consultation. As you are aware, Good Energy is a unique small electricity and gas supplier, as we supply only 100% certified renewable electricity, and gas which supports renewable heat. It is our mission to provide a blueprint for the UK to transform itself to a low carbon, 100% renewable economy through the work that we do and the actions of our customers and renewable generators.

For your ease we have answered your questions as set out, expanding where necessary.

A. Prepayment

- 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?**

We agree with the proposal to issue guidance on 'safe and reasonably practicable' use of prepayment metering to suppliers. The guidance should not be turned in to a licence condition because if the guidance became a licence condition then any changes would need to go through a formal consultation process which would not benefit either Ofgem or suppliers, especially as this area may change rapidly with the advent of smart metering.

- 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?**

We agree that suppliers should seek an alternative payment method or other form of action if they are aware that a prepayment solution is not 'safe and reasonably practicable'. This should form part of the guidance on the subject and not as a licence condition.

- 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?**

We believe that the draft guidance is fair and offers reasonable considerations that suppliers should take in to account prior to switching a meter to a prepayment solution. Many of the considerations will not be new to suppliers and they are factors that we already take in to account before we switch a customer to pay by prepayment.

We also agree that technological advancement through smart metering and other technological innovations will help to resolve a number of the issues that may currently make a prepayment solution impractical.

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

The current notification periods are sufficient. This final notification allows for reasonable notice to consumer to resolve issues prior to a switch.

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?**

Given the number of different meter types that exist within the electricity and gas market this will be very difficult to implement for all suppliers – especially smaller suppliers who are more likely to inherit a greater variety of meter makes and models. Suppliers could provide basic information on how to 'credit' a prepayment meter; however to enforce suppliers to provide information on how to use each prepayment meter type is not practical. This issue will need to be addressed to ensure that inheriting suppliers are able to quickly obtain metering functionality (e.g. a central point of information).

We also feel that this should be part of the guidance rather than an explicit licence condition; our view remains that the licence conditions should refer to giving 'due regard' to the guidance.

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?**

Smaller suppliers would not be able to implement a policy of ensuring that some customers can pay by cash if no other payment method is possible. The constraints of metering arrangements will likely present a scenario where smaller suppliers would be unable to source prepayment meters where cash/key payments are required. As per our response to the Review Of Metering Arrangements (ROMA) consultation a number of our contracted metering agents are unable to procure specific DMC meters for our needs and we cannot see this situation getting any easier in the future.

A more agreeable situation is for 'Big 6' suppliers to be obliged to provide cash based prepayment meters and therefore consumers will still have supplier/tariff choice – in essence the 'Big 6' suppliers would be the cash based prepayment suppliers of last resort. We would welcome a review on the current 50,000 domestic customer threshold on offering prepayment terms as part of this review.

B. Disconnection

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?**

We agree with the proposal to issue guidance to suppliers on 'identifying vulnerability prior to disconnection'. As with the guidance on prepayment we feel this guidance should not be turned in to a licence condition. It would, however, be fair for a licence condition to state that suppliers must give 'due regard' to the guidance on 'identifying vulnerability prior to disconnection'.

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

We believe that the draft guidance is fair and offers reasonable considerations that suppliers should take in to account prior to disconnection. Many of the considerations will not be new to suppliers and they are factors that we already take in to account before we initiate a disconnection. Given that these are steps that suppliers already follow, it would be worth exploring if parties are not looking to rewrite guidance on disconnection that already exists.

9. **Do you agree that suppliers should ensure rapid reconnection and provide compensation on a voluntary basis where any customer has been disconnected in error?**

We agree that suppliers should ensure rapid reconnection of a smart meter, but only where we are the party initiating the disconnection. We do have concerns that where we inherit a smart meter from another supplier, that an error by them could result in the disconnection of the wrong meter (for example the wrong flat in a house) and this may prove intractable to resolve quickly. As the customer's supplier, we may not be using the smart meter functionality and thus have no recourse to reconnect should this occur.

Equally, we can see a situation where the supplier who has initiated the disconnection erroneously being adamant that they have not done so, as they are not the supplier. It may be worthwhile if Ofgem considered this scenario with suppliers who are actively installing smart meters to ensure that suitable checks and balances are there to minimise this occurrence and a process for handling the situation should it occur beyond straight forward denial.

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

The current notification periods are sufficient. This final notification allows for reasonable notice to consumer to resolve issues prior to a disconnection.

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 disagree with the proposal that load limiting and credit limiting amount to disconnection. We support the development of load and credit limiting technology, however it is our view that disconnection is a process or activity that should remain separate to load and credit limiting. These activities must be set up with their own rules, regulations and guidance (for example, ensuring limiting is reasonable) – they should not be a new 'add on' to the regulations that drive the disconnection process.

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 do not fully agree with 2.71 which states 'we are not persuaded that additional protections are needed in the non-domestic sector'. We would draw attention to some profile class 3-4 sites within the electricity market; a number of these will be 'run from home' businesses and the energy use can be split across domestic and business use. Because of this the supply may be classed as a non-domestic (profile 3-4) but the energy use split at the property means that a majority of the energy use is domestic. For that reason we feel that some additional protections are required at sites where some energy use is domestic even if the site is classified as a business.

C. Commercial Interoperability

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

We are slightly concerned by your intention to manage metering agent behaviour through licensing conditions upon suppliers. Not all suppliers have in-house metering agents as this approach seems to assume. We agree that there needs to be a mechanism to ensure that reasonable and fair terms are offered to all suppliers when they inherit a smart meter from another supplier. We do not, however, agree that there should be a license obligation on suppliers to ensure its metering agents offer equal terms to all other suppliers that may inherit the meter in the future; this would be difficult for smaller suppliers to enforce. It would be impractical for a supplier to dictate to the metering parties the terms that they must offer to all

other suppliers – certainly a smaller supplier that negotiates with larger (vertically integrated) metering businesses will hold very little influence on the terms that will be provided to subsequent parties that inherit a meter. It would be an unpalatable situation where smaller suppliers are being held to account for the actions of larger metering organisations on which they cannot exert any influence.

This would also add an additional complexity to the supplier operation in terms of managing and tracking the assets that have been installed through its smart metering rollout plans. This would present new costs and require new IT systems in place at a time when smaller suppliers will already be finding the going tough in order to meet the increasing costs of delivering smart metering.

Our view is that the onus must be on the metering agencies to offer equal and fair terms to the supply businesses. This can be administered through an 'Interoperability Code of Practice', similar to the Code of Practice being developed by the ERA on the smart meter installation process. This would set a requirement on metering businesses to be signatories to the Code with an obligation on suppliers to 'only' use metering agents that are signed up to the 'Interoperability Code'.

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?

We would agree that meters that are installed ahead of any technical specification being confirmed are installed by those suppliers at their own risk. These meters are likely to be non-compliant to the final technical specification and suppliers who inherit these meters can only utilise them as a dumb (DCM) meter and therefore should only be expected to pay the costs of a DCM meter. Other suppliers should not be expected to pay the costs of suppliers who have taken it upon themselves to move too early on their smart metering plans.

While we accept the commercial realities of pricing structures based on volumes we still feel that smaller suppliers will be at a disadvantage to the larger suppliers who run with a vertically integrated metering business. As already stipulated the costs of smart metering may already be described as 'prohibitive'; couple that with the fact that larger suppliers will get better prices on smart meters (given the volume advantage) then smaller suppliers can see a very real risk of being priced out of the market as they fight to meet the costs of a full smart meter rollout. This could be seen as another blow to real competition in the energy supply market and will not encourage new entrants to the marketplace.

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

Terms should be transparent and equal to all parties. However, this situation could present issues where suppliers could object to a customer's wish to transfer to them on the basis of the terms that are being offered for the smart meter at the property. If suppliers decree that certain meters from certain suppliers are not a commercially viable option they will not want to supply that customer – but this could be in breach of their supplier obligation. Metering agents and suppliers may then set inheritor arrangements that are prohibitive to other suppliers and in turn protect themselves from the risk of customer churn.

16. Do you have any views on the appropriateness of an obligation to offer terms for use of communications services as part of the Spring Package, and the timeframe for any such obligation?

We do not believe that there should be a direct obligation upon the supplier to ensure metering businesses provide reasonable terms for communications and associated services. As per our answer to question 13; there is minimal influence that smaller suppliers can enforce upon larger metering agencies.

No such issues appear to exist within the Half Hourly electricity metering market where Data Collectors/Retrievers can communicate to and collect data from all HH COP meters – we would prefer to see the same position in the NHH market. The disclosure of the smart metering technical specification should also identify a standard communications method for all smart meters and dictate that all suppliers can arrange for their data retrievers to obtain data from any smart meter that they are supplier to. Any meters that do not meet this requirement should be considered as non-compliant. This requirement must come in to play as part of the next phase for smart metering to ensure that no more non compliant meters are in circulation and therefore lowers the risk of chaos and poor interoperability.

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

We feel that that the issues identified on prepayment through smart metering are a direct consequence of early adoption plans by suppliers before a full communications and meter specification was in place. Suppliers who have not 'gone early' will be unable (at this stage) to communicate with a smart meter which has been set to a prepayment solution. With that in mind these suppliers will have no choice but to revert the metering to DCM prepayment metering if the consumer wants to continue to pay for their energy using a prepayment solution. The inheriting supplier should not be charged termination costs for the removal of the meter they cannot communicate with and neither should they be forced to develop new business practices (and systems) to communicate with these meters on the back of a licence obligation. The approach is likely to create issues for consumers with meters needing to be exchanged following a consumer decision to change suppliers; this needs to be monitored as some customers will deem this meter change as an inconvenience and therefore remain with the supplier who originally installed the meter – this is another example of how early rollout plans have created market confusion and will constrain supplier competition.

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?

We do not agree that there should be a 'de minimis' threshold before commercial interoperability obligations apply. The success of a full smart metering rollout across the UK is dependent on all suppliers (and metering agencies) working to a system that dictates full interoperability. There should be no differentiation on supplier size and therefore a smaller supplier (who offers 'smart meters as a core part of their business proposition') must ensure that the meters they install are compliant and the communication protocols for those meters are available to all. Being a smaller supplier should not permit any party to rollout meters that are not interoperable with other parties. To do so will reduce competition among smaller suppliers and also create an avenue for suppliers to ring fence their customers from switching by installing meters no other parties can communicate with.

It is vital that the rules for interoperability are directed to all parties that are involved within the smart metering infrastructure.

I hope you find this information sufficient. If you require more detail, then please let me know.

Kind regards,



Andrew Blackett
Head of Metering