



*Campaigning for Warm Homes*

## **Office For Gas and Electricity Markets (OFGEM) Consultation on the Smart Metering Spring Package Addressing Consumer Protection Issues**

Deadline for response: 13 April 2011

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### **Response from National Energy Action (NEA)**

#### **Background**

NEA's primary concern is to ensure the protection and welfare of vulnerable energy consumers through ensuring that their homes are adequately heated at an affordable cost. Our campaigning work emphasises the need for programmes and policies to optimise heating and insulation standards as the most rational and sustainable solution to fuel poverty. NEA believes that the installation of smart meters in themselves cannot be a panacea in delivering significant carbon reduction nor will they, in isolation, make a major contribution to the eradication of fuel poverty. Indeed, unless complemented by additional measures to ensure meaningful behavioural change in consumption patterns, and safe demand reduction, there is a possibility that smart meter installation could prove to be a costly and ineffective mistake for our client group.

However, we remain optimistic that if positive measures are taken to militate against any unintended consequences, some of the unintended negative impacts on vulnerable

and low-income households can be removed which will allow them to access some of the benefits to be realised in the deployment of smart meters.

Proposals for the mandated rollout of smart meters were set out in the joint Ofgem/DECC Prospectus published last July. We undoubtedly want to recognise that the rollout of smart meters has the potential to bring some benefits to fuel poor energy consumers, for example helping them with budgeting through the provision of real-time information as well as removing the need for estimated billing. However, there remain a number of concerns relating to the installation and sales practices, to remote disconnection and switching and payment methods which existing supply licence conditions may not cover, which if not properly addressed could hinder the success of the programme at large and prevent the government from realising longer-term climate change and demand reduction targets.

The Spring Package Consultation sets out Ofgem's proposals for how it will ensure consumer interests remain protected in response to early moves by suppliers to start to install smart meters ahead of the government's mandated rollout. It proposes some updating of the important protections around prepayment and disconnection which could in future be done remotely. It also proposes obligations to help ensure consumers do not face barriers to switching where they have a smart meter.

Since it is ultimately consumers who have the capacity to ensure the eventual success or failure of this technology, it is essential that considerable weight be given to these consumer protections. NEA therefore welcomes the intentions behind the spring package, namely to protect consumers from detriment through the implementation of new and the strengthening of existing licence conditions, in the context of early-movers. NEA also recognises the commendable speed with which the government and the regulator have published the proposals in response to announcements from companies such as British Gas that they intend to have installed 2 million smart meters in households by 2012. However we believe that some of the proposals do not go far

enough. Given that Suppliers are choosing to roll-out ahead of the government's proposed mandate, originally envisaged 2012 but now possibly delayed to as late as 2014, and ahead of a fully-functioning competitive market, we firmly believe that they alone should bear the cost and burden of any associated risks from doing so. OFGEM's recent Market Probe warranted further and serious investigation into the Suppliers practices who were found to be in breach of conduct namely though door-stop miss selling and an overly complicated tariff market. Given their precedence for bad behaviour, we believe that self-regulation is not an appropriate alternative to strong legislative requirements. Indeed, enhanced licence conditions for consumer protections will be a pre-requisite for any successful deployment of smart meters and is of particular importance in protecting our client group; vulnerable and low income energy users, many of whom will be fuel poor, from the unfair disadvantages rife in the market.

NEA is also concerned that the Spring Package does not go far enough in that it should not seek to leave any outstanding issues to be dealt with at a later stage in the programme, when a 'full regulatory framework' is put in place. We believe that this would create a two tier system whereby early adopters would be less protected and undergo a less enhanced service than those further down the line when a fuller set of protections and guidance was theoretically in place. We believe that any lesser experience early on in the programme carries a risk of incurring a back-lash from the public, potentially causing a hindrance to further take-up. It would therefore be to the detriment of the roll-out and disadvantage smaller, later entrants to the market. NEA therefore urges the regulator to ensure that the fuller framework is included in the Spring package.

## **CHAPTER 2**

**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?**

**NEA Comment:**

Yes. NEA wholly agree with OFGEM's proposal to issue guidance on 'safe and reasonably practicable' and to require suppliers within Supply Licence Condition (SLC) 27 to have regard to this guidance through a licence amendment.

One of the concerns that the introduction of smart meters brings is that Suppliers will have the ability to remotely disconnect the householder without the need for a physical presence or a home visit. NEA supported the inclusion of the gas valve as a minimum specification in the meters, which enables this function, on the grounds that it would facilitate PPM mode and help to open up the market in this area. However we believe that any digression away from existing protections would be unacceptable be they explicit or natural barriers. In the case of a home visit, this has typically acted as a natural protection in a number of ways. It has ensured a direct face-to-face interaction between the Supplier and householder which would better enable them to assess vulnerability as well as the appropriateness, both in terms of capabilities of the householder; financial or level of comprehension, and physical positioning of the meter. Additionally, the face-to-face contact in the home has allowed for advice on help, assistance and sign-posting to the Priority Services Register to take place. Finally, in the case of a forcible installation of a PPM – a warrant has typically been required which has acted as an additional and external, independent check on the vulnerability of the householder. NEA would support a moratorium for disconnection in all vulnerable householders and we have been concerned that Suppliers may simply switch customers in financial hardship, debt or difficulty over to PPM mode as a de facto way of disconnecting them. We therefore welcome the proposals for OFGEM to issue guidance on safe and reasonably practicable. However, we would stress that there needs to be explicit protections to ensure that the costs of requiring that the PPM is 'safe and reasonably practicable' do not fall on the consumer. We stress in particular, the importance of no up-front costs to be borne which if to occur, would be not only be detrimental to the householder potentially pushing them into greater financial hardship

when they are likely to be struggling on a precarious budget in the first instance, but also in that it could deter the householder from seeking help if there is a problem with the meter. Finally any negative experience at the individual householder level will have a knock-on impact and must be considered within the context of the entirety of the roll-out.

NEA supports the proposal asserted by the members of the Consumer Advisory Group that guidance is also needed around likely technological innovations that may be used as solutions to enable safe and practicable use of prepayment. Of prime concern is that payment method options should in no way be hindered/ removed. Explicit guidance should be given on this so that for example, the internet is not considered to be a safe and reasonably practicable method of payment given that electricity is required in the first instance to access it as a top-up method and therefore would not be fit for purpose when a customer has disconnected. Cash top-ups should still be available and accessible within 2 miles as with existing licence conditions.

Finally, all protections which relate to the PPM will need to be consistently reviewed to ensure that other associated costs with either technological additions eg key pad or hardwired display or simply moving the meter are not passed down further down the line.

**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?**

***NEA Comment:***

Yes, NEA fully supports the proposal to offer an alternative payment method or some other form of action where a PPM is deemed to no longer be safe and reasonably practicable for a customer. This might be relevant to householders who have inherited a

PPM in the property and therefore are disadvantaged through the inconvenience of the payment method, higher tariffs, and the physical implications of having to travel to top-up and / or physically access the meter if in an inappropriate place as with for example, an elderly or disabled householder. We also believe that this will additionally be relevant for groups of low-income energy consumers who are on the borderline of fuel poverty and for whom there is a high degree of churn as their circumstances can change over time. This would be particularly important for householders who may be in new financial difficulty and with a level of vulnerability attached e.g. there is a small child, elderly person or a person with disability living there. In their situation, a PPM may lead to increased self-rationing, under-heating and even self-disconnection in more extreme cases, which could be of great detriment to the health of the householders.

We therefore support action to be required to address this either through moving the meter, or offering new payment method or updating the meter through additional functionality e.g. hardwired display / key pad etc. In the case of any physical improvements, NEA believes that Ofgem needs to further clarify where the cost of making these improvements and hence be compliant with the suggested license conditions to make prepayment safe and practicable will lie. We believe that they should ultimately sit with the supplier and not with the consumer.

Given the popularity of prepayment meters amongst users and the value attached to the budgeting function of them, NEA acknowledges that for some, PPMs can be a valuable and effective payment option. However, NEA views PPM's ability to impact so enormously on vulnerable households' ability to access the most competitive energy prices, their health and well-being and their wider financial inclusion as unacceptable and is calling for a review of payment methods and development of a suitable alternative. Such an alternative is outlined in NEA's npower funded consultation report, and is one that would afford low income or financially excluded households the benefits of prepayment, such as the ability to budget and manageable debt-repayments; the ability to ring-fence a proportion of state benefits (including the Warm Homes Discount, Winter

Fuel Payments and Cold Weather Payments) to pay for fuel, such as with Fuel Direct; and access to the reduced tariffs associated with direct debit. NEA believes that these options should be explored further with the advent of Smart- Pre-pay.

**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?**

***NEA Comment:***

NEA takes a view that no householder should be switched to prepayment mode inappropriately, with special regard to protecting vulnerable householders. We believe that OFGEM's guidance could go further by stating that Suppliers are responsible for checking vulnerability and therefore, where this has happened, and in particularly where they are vulnerable, enforcement action would be carried out.

Guidance should also specify that the remote top-up option using the following methods are not an acceptable sole alternative to top -up outlets;

- 1) **The use of internet or a telephone landline:** Given that it relies on electricity supply to access, it is inappropriate where a householder has disconnected or run out of supply credit. This should therefore, not be considered 'safe and reasonably practicable'.
- 2) **The use of a mobile phone:** This is not a safe and easy alternative as firstly, it assumes the householder has access to a mobile phone in the first instance. Furthermore, if a customer is already struggling to pay, they may not have enough money to top-up credit to a pay-as-you-go mobile phone or a have access to a contract.

Finally, we want the PPM market to open up and for payment methods to become more friendly and flexible. Therefore, any move away from existing protections to ensure pay outlets are available within a 2 mile radius would be detrimental to this

direction of the market and could cause difficulty and complications as with the examples cited above.

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

***NEA Comment:***

NEA acknowledges that the current protection under The Gas Act 1986 and the Electricity Act 1989 stipulate that customers must be given at least 28 days to pay their bill and then at least seven days notice before a supplier can forcibly install a PPM. Whilst we recognise that this in reality requires a considerable effort and expenditure for multiple visits and points of contact on the part of the Supplier, we do believe that this is the absolute minimum that should take place. NEA would not find it acceptable for any vulnerable householder to be forcibly given a PPM if it is not considered appropriate or 'safe and reasonably practicable' however, we acknowledge that for many householders in financial difficulty it is a welcome tool to enable budgeting. NEA would urge OFGEM to require Suppliers to carry out monitoring on vulnerable householders and ensure that any relevant householders reached in this way as consistently offered the chance to be added to the Priority Services Register and that this feeds in to an attempt to keep it up to date. In instances where there is abnormally low level usage, this should be flagged, and help / assistance should be offered. This should help to encourage a situation where, once a householder is switched, that they are not left to undue difficulties and forced into a situation where they are dangerously under-heating and simply forgotten.

**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?**

***NEA Comment:***



Yes, NEA believes that it is imperative that suppliers give customers the relevant and necessary information to be able to successfully realise some of the benefits of Pre-Payment Meters.

We recommend that Ofgem issue guidance to energy suppliers to ensure that all consumers moving from credit to pre-pay receive where possible *both* a written and verbal communication from their supplier prior to the switch taking place. Also following switching, a message should be sent via an IHD where available.

The installation visit will be a fundamental opportunity to engage the householder and the physical demonstration of how to use their IHD and smart meter will be of the utmost importance in trying to help them get the best out of their pre-payment method. NEA believes that Suppliers will need to ensure the installers are fully trained and proficient to be able to talk through this process with a range of householders, including those who may be potentially vulnerable or considered 'hard-to-reach'. Ofgem should ensure that this is recognised in the Supplier's Installation Code of Practice.

Finally, NEA believes that more research and work is needed by suppliers on positive customer engagement strategies. It is important that energy companies consider how they can improve their communications with our client group.

**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?**

***NEA Comment:***

Yes, NEA firmly believes that the roll-out of smart meters should not result in any reduction of service for consumers, including payment options, which would limit their ability to access warmth for health and comfort. Furthermore, any reductions in payment methods could cause detriment for the already marginalised and financially excluded in society who may not, for example, have access to a bank account or if they do, feel unable to commit to direct debit due to a weekly salary payment and/ or the

strict household budgeting required to manage on a low-income. NEA has undertaken research to examine the roll that credit unions can play in particular trial a post-office card account with a top-up facility to help those who would unable otherwise to gain credit references for a bank account card manage an account in a similar way. We suggest that alternative payment methods are considered which would seek to include more marginalised lower socio-economic groups. Should there be any question or risk that unfair disadvantage and lack of access to top-up safely may occur, it is important that suppliers should be required to maintain existing options in compliance with licence conditions – i.e. that as a minimum, cash top up outlets are available within a 2 mile radius.

**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?**

***NEA Comment:***

Yes, NEA agree with the proposals to reinforce the existing obligations in this area by requiring suppliers, through an amendment to the supply licences, to have regard to guidance issued by the Authority on what may constitute reasonable steps to identify the status of customers and occupants prior to disconnection.

NEA believe that suppliers objection to a licence amendment is not sufficient as research from the Consumer Focus Extra Help Unit demonstrates that disconnections are still occurring amongst our client group and therefore shows the limitations of self-regulation in this area.

With the removal of the home visit, the requirement as stipulated above is an extremely important safeguarding feature that NEA believes is fundamental to ensuring that vulnerable energy consumers do not suffer from a lesser experience with the advent of

Smart meters. We welcome the proposal to update the guidance around 'all reasonable steps' and believe that the emphasis should be on the supplier obtaining sufficient evidence that the customer is not vulnerable before disconnection takes place.

A minimum definition for vulnerability should also be considered to ensure a consistent approach across suppliers.

In addition to taking a tough line on compliance, we support the non-exhaustive list outlined in annex 4. Namely for Suppliers to;

- proactively seek to ensure that all eligible customers are offered the opportunity to be registered on the Priority Services Register
- review all the notes on the customer's accounts to ensure that no vulnerability is recorded, with regard to the customer or occupants at the premises
- review written contact with customers struggling to pay to ensure that it is in plain English and that information is available in other languages where appropriate and that the customer is encouraged to ask for help
- make multiple attempts to contact the customer by various means and at various times of day
- undertake personal visits to the property which is at risk of being disconnected at various times of day and completing a visual check of the premises looking for signs of vulnerability of the customer or occupants at the premises (for example using the good practice vulnerability checklist compiled by Consumer Focus)

- check whether a property is temporarily or permanently unoccupied
- check whether there has been a change of occupancy to make sure that customers are not disconnected in error
- obtain senior management authorisation prior to any disconnection being carried out.

We would welcome additional emphasis on the inclusion that all eligible customers are offered the opportunity to be registered with the Priority Services Register, though we recognise the current limitations of using this as a sole indicator of vulnerability given that it is often out of date and subject to changes to the household circumstances and occupancy.

NEA further advocates the need for further research and recommendations to be made in consultation with the Consumer Advisory Group or another group with similar functions.

**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?**

***NEA Comment:***

NEA believes that in the case of a disconnection made in error, Suppliers should be required to offer compensation to the householder. This should help to act as a deterrent and serve as enhanced protection against vulnerable disconnections which could result in illness and detriment to health such as respiratory problems and on the more severe scale in very vulnerable homes, can in fact lead to death. ( NB. The figures for Excess Winter deaths published by the Office for National Statistics on an annual basis are a strong indicator that colder temperatures lead to increased number of deaths often caused by heart attacks and blood clots.) Given the serious impact that

disconnection can have on the very vulnerable, NEA would support a mandatory approach from the offset.

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

***NEA Comment:***

NEA would like further evidence of the length of time and period of notification given to assess whether the current notification periods are fit for purpose. NEA would encourage greater regulation in this area to ensure protection of vulnerable consumers in particular. NEA also believes that auditing of this practice should be extended to all Suppliers, not simply the ERA members signed up to safety net.

**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?**

***NEA Comment:***

**Load limiting and credit management**

NEA strongly agree with the need to include protections around load limiting in the licence conditions. However, we firmly believe that this proposal does not go far enough to safeguard customers, especially the most vulnerable and that there is significant further work needed. In particular, we have concerns that it could become a de facto way for suppliers to disconnect consumers during the winter months which would represent a considerable divergence away from existing protections.

We are concerned that vulnerable energy consumers will be switched on to these load limiting tariffs without fully understanding the implications of them which could in turn lead to an inability to heat their homes adequately, putting their health and well-being in danger.

We therefore object to any vulnerable consumers being forced onto this tariff , even for non-payment of debt and believe that the licence conditions should be strengthened to reflect this.

We also seek clarity and agreement on:

- 1) What constitutes energy supply to a domestic premises being 'significantly constrained' – guidance is needed in this area.
- 2) How customers will be warned that they are close to their load limit.
- 3) What credit management offers are likely to look like for customers and the possible implications, including a full analysis of any unintended consequences.
- 4) Whether credit management is deemed to a payment method or a tariff choice.
- 5) How will these tariffs be clearly communicated to consumers and through which mediums?
- 6) The terms and conditions of both.
- 7) How will notification of load limiting be monitored and will this extend to credit management?

**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.**

***NEA Comment:***

No comment

#### **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?**

***NEA Comment:***

**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?**

***NEA Comment:***

NEA supports the proposal for the terms to be reasonable and non-discriminatory. There has been some concern over where the responsibility will lie when a supplier inherits a property with a PPM that does not fit the interoperability specifications. For example will the meter be replaced and by whom and who will bear the cost? NEA firmly believes that in the case where a go-early supplier has installed a PPM, it must be recognised that they have chosen to do this ahead of the interoperability specifications having been agreed and ahead of a competitive market. It is therefore only right that they should bear the risk and any associated costs to serve / support the meter in PPM mode for the incoming supplier.

This logic also applies across the board as previously stated elsewhere in this consultation response. That is, given that Suppliers are choosing to roll-out early to take advantage of the market before it is fully functioning and competitive, they should bear the risks. NEA therefore firmly believes that at no point should the householder be responsible for any associated costs and in particular any up-front costs. The latter could be particularly detrimental to the householder not only because it could push them into greater financial hardship when they are likely to be struggling on a precarious budget in the first instance, but it could also deter the householder from seeking help if there is a problem with the meter. Moreover, it will also deter them from switching and being able to access the advantages of a competitive market – something we already know is of currently of common occurrence and to consumer's detriment. If the cost should fall on the incoming supplier, this would ultimately make these PPM customers extremely unattractive and they are likely to suffer from discrimination again - with costs potentially being passed through to create an unfair price differential. NEA believes that move in this direction would be wholly unacceptable.

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

**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?**

***NEA Comment:***

Yes, NEA wholly supports an obligation to ensure transparency of terms for the use of the communications and associated services.

In order for the customer to be able to benefit from the full functionality of the smart meter the incoming supplier has to be able to utilise not only the meter but also the communication link from the meter and therefore terms should be available to encourage transparent and cost-reflective pricing.

The assumption stated in the consultation document, based on discussions with suppliers, is that until any technical specification (including any specification for the communications services) is confirmed, the incoming supplier is unlikely to be able to use the meter in smart mode. This is because they will have to build their own back office systems to interface with the new data flows and will only want to do that once there is sufficient certainty about any technical requirements.

NEA are not best placed to comment as to whether it is technically feasible for suppliers who are currently rolling out smart meters to offer these services and make arrangements on a bilateral basis if requested, however look forward to seeking clarity on this.

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

***NEA Comment:***

Providing prepay facilities in all smart meters will be a major breakthrough which we hope will stimulate the market and bring down the cost to serve, reducing the unfair price differentials still suffered and making payment easier for millions of the poorest



customers who have been penalised for years. However, there must be assurance that the 'friendly credit' is not then charged at a higher rate than normal tariffs. There has been precedent of this in the mobile telecommunications market whereby 'emergency credit' has often been double the cost of normal credit tariff rates meaning that those who are already struggling to afford the goods are further penalised. NEA would stress that this practice would not be acceptable with energy which is an essential good necessary to ensure the health and well being of households across the country.

Functionality for displays :

- Real time usage statistics in a simple and easy to understand format
- An ability to remotely top-up via the display units
- Clearly displayed information regarding different elements of their bill and ongoing consumption, including standing charges, outstanding debt and repayments
- In cases of self-disconnection from gas supply there should be a prompt function to encourage safe reconnection to supply
- Where there is a power failure, loss of communications or loss of display, minimum functions should also be available on the meter itself
- Personalised prepayment information should be provided to consumers that pay by this method.
- It is recommended that suppliers situate all meters in an easily accessible location, regardless of the vulnerability status of the household or their current method of payment, as in future the meter may be switched to prepayment. Where this is not possible it must be recorded and new occupants of a property informed and where the household switches, the new supplier should also be informed. To re-iterate, all costs associated with moving a meter should be absorbed into company costs and not charged to the customer.

- Smart meters are identified in research by Consumer Focus as an opportunity to address some of the problems associated with PPMs and possibly reduce self-disconnection through increased options and easier means of topping-up and reduced tariffs resulting from a reduced cost to serve.
- NEA recommends that DECC/OfGEM give careful consideration to how smart meters and smart prepayment will impact upon vulnerable and low income households, in particular equitable access to the competitive energy market and suitable and tailored advice to ensure such households are equally as able to achieve the greatest benefits of smart technologies. The research's qualitative element uncovered a small number of prepayment meter users for whom prepayment is unsuitable and who suffer a high level of detriment as a result. A key action point in relation to this is identified by Consumer Focus, suggesting that more needs to be done to ascertain the vulnerability of consumers before a PPM is installed to assess the suitability of the payment option.

**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?**

***NEA Comment:***

Yes NEA supports the proposal to have a de minimum threshold before commercial interoperability obligations apply. However, we are not sufficiently knowledgeable to recommend a figure at which to set the level. We recommend OFGEM undertake further investigation as to the possible implications and also take steps to ensure that the costs for retrospectively addressing commercial interoperability are not borne by the consumer.

**Chapter 5 :- sales and marketing**

Given that DECC and Ofgem are still in the process of considering the responses to the Prospectus for the purposes of determining how smart metering will ultimately be

delivered. And with respect to the statement in the consultation that it remains open to the Programme to introduce further changes in these areas, in relation to the mandatory rollout of smart meters, if it considers it necessary having considered the responses in the round, NEA would like to re-iterate the following points:

### **Tariffs**

Smart metering has the potential to improve the services offered to consumers, including new tariffs and smoother switching between suppliers. On the other hand, stakeholders have raised concerns regarding tariff complexity and marketing of new products and services, barriers to switching and security and ease of access to historical consumption data. NEA are supportive of the access to energy comparison services which are free at the point of retrieval and easily accessed, but also available in a variety of forms. For example, on line via the internet, through the IHD display, through written graphical form , via teletext and the television and / or verbally through the phone. NEA are also supportive of the proposal to update existing license conditions to ensure that tariff information is delivered in a clear and uncomplicated fashion so that vulnerable consumers do not find the market even more difficult to navigate.

### **Unwelcome sales activities during visits for meter installation.**

NEA believes that overarching standards of conduct must be retained and improved. There should be no degradation away from existing consumer protections for addressing unwelcome sales activities during visits for meter installation.

NEA believes that there are not currently enough protections within the license conditions relating to sales activities. Although we appreciate that a new one has

recently been introduced, this is following the probe whereby some of the companies were found to be in breach of code of conduct namely through mis-selling on the doorstep. NEA believes that this is indicative of where companies are currently at in relation to sales activities and therefore that there is still a vast amount of research and investigation that needs to be carried out, which should help inform the relevant protections to be implemented as swiftly as possible during the roll-out.

NEA supports the Suppliers development a Code of Practice on installation, underpinned by a high-level licence obligation. NEA thinks that the proposal that suppliers will be expected to comply with existing obligations and have regard to standards of conduct when introducing new tariffs, products or services to the market does not go far enough and that these need to be strengthened to ensure that strict regulations are in place to allow for more clarity in the market. This has been a continuing point of tension raised by consumer to many vulnerable energy users who are unable to take advantage of the benefits of the competitive market.

During the actual visit, selling of new products and tariffs may raise particular concerns for our client group. NEA welcomes the programme's intention to ensure that the visit is not used for unwelcome sales activities. At the same time, it recognises the potential value of consumers being offered advice and information on energy efficiency and related products and services. A fine balance will need to be struck and this will in part be facilitated by ensuring that certified accreditation for installers is maintained at high standards and that auditing and monitoring of supplier's practices is consistently carried out.

It is further agreed that there might need to be a different approach for a) customers that request a smart meter e.g. perhaps in response to an advertisement and b) those that haven't requested one. The former might allow for more sales and marketing activity to take place. Alongside both these approaches, we would expect a separate service with extra help for low income and vulnerable customers.

There are inevitably differing views on the amount of advice that should be given during the installation – NEA recognises the need to allow for flexibility and also in relation to the practical constraints on this during the visit and the impact on wider costs and competition on the energy services market. However, we are adamant that Ofgem need strict guidelines as to what constitutes sales, and what services i.e. what should be allowed given the desire to have energy efficiency measures installed. We recognise that there will be strong industry pressure to carry out sales activity, and pressure from within DECC given Green Deal. But our concern is that the correct products are rightly offered only when and where appropriate and that follow up support and advice is always given to the householder to allow them to make more informed decisions and better advantage of all products and services.

### **IHD and controlling unwanted marketing messages**

NEA supports all moves to ensure that unwelcome marketing is not transmitted through the IHD but however recognises the need to balance this with potential opportunities that could be maximised from the IHD in relation to products and services for vulnerable and low income householders. This could include providing a link up or referral to a vast array of health and advice agencies. NEA believes that partnership working between the central agency providing information and support, and the local authorities and local community groups will help to judge what the appropriate referral agencies in the area might be. A review and strengthening of the sales and marketing licence conditions could also help to inform the levels of protections from unwanted marketing and sales activity delivered through the IHD.

## **8 KEY ASKS**

1. The Government needs to model the impact of smart metering on low income and vulnerable households in line with Treasury Green Book guidance.

**2.** A strategy must be developed to ensure that low income and vulnerable households benefit from smart meter rollout. This should include:

- i) An enhanced installation service for low income and vulnerable consumers during roll out to maximise the benefit from the home visit
- ii) A central body to develop an extra help service which coordinates the delivery of smart alongside local and national schemes
- iii) A dedicated and free helpline to ensure vulnerable and disadvantaged householders have access to advice on how best to reap the benefit of the smart meters but that is fully backed up with the resources to refer on or deliver other appropriate energy advice and information on relevant schemes the household may be able to qualify for to help them save money and energy in a healthy and safe way. But should also be able to provide accurate information on technical specificities relating to the smart meter or organise for a follow-up home visit by an accredited advisor who is able to give them another physical demonstration if required. Proper targeting of these groups will be essential given that those households most in need are unlikely to willingly or knowingly self-identify as being either 'vulnerable' or 'disadvantaged'. In respect to this, the marketing campaign as part of the roll out strategy and over all implementation programme that should be adopted from a top down approach will be fundamental to ensuring that the correct messaging goes out to enable the best uptake by the target group – the fuel poor and vulnerable energy consumers.

**3.** Government must take action to ensure that all future standards in relation to functionality, communications and interoperability, safety, meter specification,

IHD requirements and accessibility for smart meters are set with the fuel poor and vulnerable in mind.

- 4.** Ofgem must systematically review consumer protections, especially those for low income and vulnerable consumers to ensure they are fit for purpose in a smart world. This will also involve a review of current and future licence conditions and must also be backed up by significant powers and resources within Ofgem to monitor they are properly being adhered to. Ofgem should also work to ensure that consumer protections are the first aspects to be put in place and endeavour to include and strengthen these as part of the spring package. Delaying the implementation of these to further on in the programme would disadvantage early adopters and would be unacceptable to NEA.
- 5.** Poorer families must not foot the bill for smart meters, especially when it is unclear if they will reap the same benefits. We commend the decision taken to ensure that there will be no upfront costs to the smart meters and IHD's but want to stress the importance of ensuring that poorer families have access to the necessary information to ensure safe consumption reduction without and promoting self-disconnection and underheating as well as ensuring the necessary protections are in place with regards to switching consumers between credit and pre-pay as outlined in the spring package. We further recommend that any future associate costs which are incurred as a result of the Suppliers meeting their licence conditions to ensure that A PPM is safe and reasonably practicable are met and borne out by the Suppliers and do not fall to the consumer.
- 6.** It is clear that energy and user advice at the point of installation will be important, however, NEA's evidence from its work with low income and vulnerable households including trials within the Warm Front programme over a long period of time, demonstrates that when there is disruption in the home,

vulnerable customers are less likely to take in the advice being given. We therefore believe that a follow up visits are preferable, to explain how to use the equipment to best advantage and also to give energy saving advice specific to the type of household, including the need to maintain adequate levels of thermal comfort for health and well being.

- 7.** The Smart Metering roll out gives energy companies a unique opportunity to identify the types of householders and the nature of varying vulnerability. NEA welcomes the proposals in the Spring package for This could be via a simple questionnaire (on a hand held by the operator/or previously delivered with the notification of the visit by the meter installer). This would then allow the energy supplier to determine the level of support needs. For example, if the householder is partially sighted, then special visual displays would be necessary in order for that householder to gain equal benefit from the display unit, similarly, if a wheel chair user, the placement of the visual display could be specified (unless all placements are specified to take account of wheel chair users). Advice specifically about the smart meter and the types of messages and information available to the householder directly from the meter should be given verbally and in written form. Energy efficiency and seasonal advice should be given, for example health impacts of cold homes and the importance of even ambient temperatures. Language used should be clear and readily comprehensible.
- 8.** Any after care or dedicated help scheme aimed at vulnerable householders should be provided to those with any disability, long term illness or conditions likely to be affected by under heating such as those with heart, blood pressure and respiratory diseases such as COAD and Asthma, those over 75, unless at the point of installation they demonstrate or specifically state that no additional help is needed, any household made up of those with a learning difficulty, many of



whom now live independently and those where the household contains a child under three years of age.