



Ovo Energy
Wellington House
Kemble Enterprise Park
Kemble
Cirencester
Gloucestershire GL7 6BQ

t: 0800 5999 440
e: hello@ovoenergy.com

www.ovoenergy.com

Liz Chester
Social Policy Manager
OFGEM
9 Millbank
London
SW1P 3GE

8th April 2011

Smart Metering Spring Package – Addressing Consumer Protection Issues

Dear Liz

Ovo Energy welcomes the opportunity to provide responses to the questions raised in the above consultation. Enclosed are our responses to the questions required by April 13th.

It shouldn't be forgotten that prepayment via Smart will be a significant benefit to customers with meters of this type. The cost differential between an identical credit and prepayment tariff should reduce, as adding credit to the meter does not require an invasive process where the meter is more likely to fail.

The ability to change the meter into prepayment mode should also be seen as a benefit, as it allows a customer to experience the benefits of prepayment without the inconvenience of a visit to exchange the meter.

Where prepayment meters are installed, they tend to remain at the property, even when a CoT occurs. Smart metering provides the ability to change the meter type back to credit where the customer clears debt and wishes to return to credit functionality. It also allows new occupants following a CoT to have a credit meter type immediately.

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?

Ovo Energy are happy to accept the suggested licence amendments.

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



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offer an alternative payment method or some other form of action?

We believe that it is extremely important that suppliers continually communicate with their prepayment customers to ensure that they are content with the offering provided. However, prepayment is a proven way of allowing customers to control their consumption and payments.

Any regulation regarding existing prepayment needs to be practical and has to protect the supplier's ability to limit future debt and recover existing debt. There is a concern that regulation could allow customers who refuse to pay (as opposed to those experiencing genuine difficulties) a loophole where they can request that their prepayment meters are removed and they can then continue to run up additional debts with impunity, whilst the supplier is impotent to undertake any 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?

We agree that the term 'safe and reasonably practicable' should be included, but the proposed guidance may be difficult to follow, as there are instances where it will be difficult to ascertain the customer's situation as the customer may not wish to co-operate in providing information e.g. do they have a bank account or cash card and are they able to pay via the internet or telephone.

We are pleased to note that technical innovations have been taken into account for resolving previously perceived issues with installing prepayment, as smart meters provide the ability to top up using card payments without leaving the home and also allow the meter functionality to be controlled via an IHD.

The proactive steps seem to be sensible actions which we would support. However, we would highlight that customer visits can be problematic; if the end user does not want to provide access and information, there's only a limited amount of information that can be obtained without entering the property and speaking to the customer. In these instances numerous visits will only lead to escalating costs for the supplier, with no further information obtained from an uncooperative customer.

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

The 7 day period would appear to be sufficient, although our intention is to provide the customer



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with a longer notice period.

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?

Ovo Energy welcome this proposal, as all customers should be provided with definitive data regarding the specific functionality of their meter and the options available for adding credit to their meter.

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, we believe that the current SLC 27.1 provides sufficient information regarding the requirement to offer a cash payment option.

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?

Disconnection should always be seen as the final measure which should follow a strict process. Ovo Energy are therefore happy that the guidance provided is the process that we would currently follow prior to any disconnection.

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

We would once again highlight that where customers choose to be uncooperative, it is very difficult to ascertain a clear picture of their circumstances either via a telephone conversation or a visit to their premises.

Question 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?



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We suggest that there should be an extension to the GSS payment arrangement where customers disconnected in error should be recompensed based on a set amount (possibly tiered, based on the length of time they have been disconnected).

There does need to be clarification of what constitutes an error. Disconnecting the wrong meter serial ID and the wrong customer should lead to compensation. However, an example of a disconnection of a COT where the supplier can prove that letters, telephone calls and a site visit had not resulted in any reply should not result in compensation, as all reasonable endeavours have been made to contact the consumer.

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

The 7 day notice period would appear to be sufficient, as this will be the final action of a set process where prepayment and other payment options option have been discussed to clear the existing debt.

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 there are opportunities to abuse both of these processes, it's prudent that it's explicitly set out under what circumstances they cannot be utilised.

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.

Non-domestic customers expect protection via their contracts and we would therefore contend that they don't expect the same protection as domestic customers. As stated within the document, they require the same notice period for disconnection (under the Gas and Electricity Acts) as a domestic customer, so they receive the same protection.

There are certain industries within the commercial sector where contract prices are higher to reflect the greater risk of defaulting on payments and of properties changing ownership. Having a prepayment option therefore significantly benefits these industries and customers, as it allows them access to contract prices that don't include a risk premium. Therefore, any move which is



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perceived to protect non-domestic customers may affect the ability of these customers to receive prices available to other industries with lower credit risk.

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?

Yes, but we believe the obligation should be taken further. Where a smart meter which meets the mandated technical specification has been installed and a CoS occurs, it should be compulsory for the new supplier to accept the terms for the meter in-situ (in smart mode).

This impact of this would be to reduce the end cost to customers by reducing the cost of financing of the meter. This will also have the effect of reducing barriers to competition as MAP's would be more likely to offer attractive terms to new suppliers if they were confident that their assets would not be stranded.

There should be a definitive contact list published (and updated regularly) with regards to the correct commercial contacts within each supplier, to expedite the process of obtaining MAP/MAM charges.

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 published by each MAP for each meter type and all suppliers should have access to these charges, regardless of their size or their relationship to the MAP.

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

As per the answer to question 14, we believe that the terms and charges should be published and available to all suppliers.

Question 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?



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It seems appropriate to address the issues of communications alongside the terms and charges offered by the MAP, as incurring a rental charge based on a Smart meter being in-situ is not reflective of the service and data received if the supplier cannot communicate with the meter.

We understand that the meter and communication are sometimes separate, but it's not practical for suppliers to have to pay a rental fee for a smart meter asset and then be expected to resolve the communication with the meter as a separate issue.

This process would discriminate against smaller suppliers, as they're not likely to receive the volume of meters to enable them to have agreements in place with all MAPs and communications providers.

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

We cannot see that installing smart prepayment metering can be a worse solution than the PPMIP process that is currently used, where customers are provided with expensive tariffs and the process of switching back to a credit meter is often difficult (or impossible!) It's clear that the current process of being able to transfer debt to allow prepayment customers to switch is not working as well as it could, so we cannot see how offering smart prepayment will offer fewer options to the customer. However, it's guaranteed to offer a superior prepayment service.

Ultimately the risk of installing these meters lies with the supplier, so we believe we should be given the ability to install prepayment meters immediately.

We do not agree that we should be "prevented from installing a smart meter for use in prepayment mode either straight away or where there is reasonable prospect it will be used in prepayment mode". As a small supplier we intend to offer our initial prepayment offering as smart, so we don't have to implement a PPMIP process.

The additional costs of implementing PPMIP would have to be passed on through higher charges to our prepayment customers, so customers in debt would incur further costs.

The further delay to the launch of DCC means that large-scale smart meter installations are 3 years away. However, the roll-out of smart metering could be expedited earlier, with suppliers installing meters for prepayment customers prior to a mandate in 2014. If smart prepayment meters cannot be installed, it's likely to have a significant negative effect on the pre-2014 numbers of smart meters installed.



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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?

This would be crucial to allow smaller suppliers to provide a prepayment option to aid customers with debt issues. It also allows smaller suppliers to expedite the roll-out of their smart offering. We believe that there should be a de minimis level of 1,000 prepayment meters installed for reasons of debt, before the interoperability obligations take effect.

Ovo Energy does not have any objection to Ofgem publishing this response letter via their website.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "S. Fitzpatrick".

Stephen Fitzpatrick
Managing Director