SCOTTISHPOWER
The Energy People

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Dear Claire,

Smart Metering Spring Package – Addressing Consumer Protection Issues

Thank you for the opportunity to respond to the above consultation.

We have been pleased to engage with Ofgem in the development of this consultation and welcome the pragmatic and balanced approach that Ofgem has taken to date in the development of these proposals. We think it is essential that suitable protections remain in place to protect customers from disconnections as we move towards a Smart world.

It is important to note that, while it may be physically easier to use prepayment functionality or disconnect a customer, the same essential considerations around the debt follow up process remain. We are keen to ensure that customers remain appropriately protected through the debt management process, and that suitable options remain in place to help customers manage their energy use.

In the context of Better Regulation, we would always challenge where we feel that the introduction of new regulatory obligations was not necessary and in this case we do not think that new Licence Conditions are strictly necessary to achieve the aims set out in the Spring Package, as we feel that suppliers are already taking such steps. However, we understand the drivers behind the proposals and, while we do not think that Licence Conditions are necessary, we do not object to the intention. In drafting the Licence proposals, we generally support Ofgem's approach in creating balanced obligations that do not replicate existing self-regulation unnecessarily, and this is an area that we think should be kept under review.

I have also attached an Annex to this letter, which seeks to address each of your specific questions in turn, and have summarised our key points below:

- **Enforcement.** We note Ofgem's strict approach to enforcement in this area and we recognise the intention of this statement. However, we would urge Ofgem to maintain a balanced approach to enforcement in so far as each case should be considered on its merits, in line with Ofgem's wider approach to avoiding a checklist mentality in dealing with vulnerability. We would expect Ofgem to enter in to a discussion with a particular supplier over a suspected issue before making

any conclusions over a particular case, in line with the intention of Ofgem's enforcement guidance.

- **Guidance.** Where any guidance is to be referenced within a Licence Condition, it creates an increased uncertainty for suppliers on the scope of the regulatory burden, as guidance can be amended much more easily than a Licence Condition. Therefore, it is only appropriate that any references to guidance within a Licence Condition are accompanied by a requirement on the Authority to consult with all appropriate parties prior to amending guidance. We have provided draft wording to this effect.

- **Prepayment.** We support suggestions for a cautious approach to installing smart Prepayment meters, particularly in the Foundation stage of the Programme and pre-DCC set up. We are particularly concerned that the operational complexity of prepayment, if not dealt with appropriately will bring significant harm to customers, and impact the overall aims of the Programme. While we support the intention to retain cash top up options for prepayment customers, we think that this is an area that needs to be kept under review on an enduring basis, to ensure that this is appropriately managed for customers.

- **Commercial Interoperability**. While we fully support the aims of commercial interoperability proposals, we think that further consideration is needed around the scope and impacts of any obligations in this area. In particular, clarity is needed around the intention and application of an obligation to 'offer terms for use of the meter.' In relation to MAP and MAM terms, we do not think it is acceptable for the installing supplier to be subject to this obligation on an enduring basis, particularly following the first change of supplier event, as the supplier will have no way to enforce this obligation, making this an unacceptable burden. We also think that commercial interoperability requirements will be of sufficient importance that they should apply to all suppliers equally or not at all. To this end, we do not support a *de minimis* threshold around commercial interoperability obligations.

As a general point of language within this document, it should be noted that references to 'prepayment meter' within this response should be taken to include references to using smart meters with prepayment functionality.

I trust the information provided will be sufficient to provide you with an understanding of our thoughts. However, please feel free to contact me, using the details above, if you require any clarification on the information or points raised.

Yours sincerely,

Pamela Kelly
ScottishPower Energy Retail

Annex

Chapter 2 – Prepayment and Remote Disconnection

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 think that guidance could be helpful for suppliers in aiding interpretation of when it will be safe and reasonably practicable for a customer to use a prepayment meter and therefore agree in principle with the proposal to require suppliers to have due regard to any such guidance through the Licence Condition.

Including a direct reference to the guidance within the Licence Condition will help in removing any concerns about the informal status of the document. However, we also note that changes can be made to the guidance on a much less formal basis than changes to the Licence Condition. Therefore, where the guidance becomes an extension of the Condition, there is an increased risk of regulatory uncertainty. To address this, we would propose an associated requirement on the Authority within the Condition, to provide appropriate stakeholders with due notice of any plans to revise the guidance and the opportunity to comment on said revisions.

We would suggest the following wording to be included directly following the proposed new Condition 28.1B:

28.1C Before revising any guidance issued under paragraph 28.1B, the Authority shall give notice that it proposes to do so to:

a) Electricity / Gas Suppliers in whose Licences Section B of the Standard Conditions has effect ;
b) The National Consumer Council; and
c) Any other person whom the Authority considers it is appropriate to consult.

28. 1D A notice given under paragraph 28.1C must:

a) State that the Authority proposes to issue revised guidance in relation to the Condition and specify the date on which it intends that it should take effect;
b) Set out the text of the guidance and the Authority's proposals for revising it; and
c) Specify the time (which must not be a period of less than 28 days from the date of the Notice) within which representations or objections to the proposal may be made;

and the Authority must consider any representations or objections which are duly made and not withdrawn.

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 understand that the requirement to ensure that it is “safe and reasonably practicable in all the circumstances of the case” before installing a prepayment meter specifically only applies in certain cases, namely where the supplier is offering a prepayment meter as an alternative to a security deposit or when prepayment is offered to customers struggling to pay under Licence Condition 27.5, or where the supplier is installing a prepayment meter as an alternative to disconnection. We are of course covered by existing Health and Safety legislation, including the Health and Safety at Work etc Act 1974 in all of our current activities and as a matter of commercial practice would not wish to install a prepayment meter where the customer could not use this.

However, we do not think it is the current intention of the Licence to require that a prepayment meter is only installed in every case where it is “safe and reasonably practicable in all the circumstances” to do so. For example, there are customers who would prefer, and specifically request, prepayment as a payment method, even where the supplier does not consider it to be reasonably practicable and we do not think that Ofgem’s policy intention is to force such customers from prepayment.

Ofgem should therefore be cautious of any suggestion that this requirement is to be extended more widely and indeed, from our discussions on this proposal, we do not believe that this is Ofgem’s policy intention. However, we are concerned that the language of the proposed new paragraph 28.1A could infer such a wider obligation on suppliers. In particular, the use of the words “no longer safe and reasonably practicable” infers that this supplier will only have installed the prepayment meter *in every case* where it was safe and reasonably practicable to do so. We think careful consideration is needed around this wording to avoid such an inference.

Beyond this, we do think that it is sensible from both a customer and a supplier perspective for the customer to have access to payment methods that he or she can reasonably and safely use in paying for their energy consumption. As a matter of practice, we would expect suppliers to offer a suitable alternative payment method to a customer for whom it is no longer safe or reasonably practicable to make payments through a prepayment meter. To that end we support the policy intention of this proposal.

We anticipate that Smart Metering will bring innovation in payment methods and products and may ultimately change the traditional manner in which prepayment operates. Therefore we think it is also reasonable to allow the supplier to offer a technical solution to the traditional use of prepayment, which may address the consumer’s practical issue, but still allow payment by prepayment functionality.

We also support the proposal that the obligation would take effect when the supplier becomes aware that it is no longer safe and practicable for the customer to use the prepayment meter. However, we note that the draft language within the Licence Condition states that the obligation exists where the supplier “becomes aware or has reason to believe” that the customer’s circumstances may have changed. We are concerned that the language “has reason to believe” could be subjective and we would therefore welcome some clarity on the interpretation of this requirement.

In particular, a supplier could have monitoring which indicates that a customer is not topping up the prepayment meter. Subjectively, this could be interpreted as the supplier having reason to believe that the customer is no longer able to use the prepayment meter. However, there may also be other reasons for such behaviour, such as the customer has gone on a long trip or has a large amount of credit on the meter which they are working through. If the obligation is deemed to exist before the supplier is able to confirm that the

customer is unable to use the prepayment meter as it is no longer safe and practicable, we think that this is an impracticable requirement and goes beyond the original policy intention. Therefore, we would suggest that the language "or has reason to believe" is removed from the draft 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?

Generally, we think that the guidance is sensible and in line with both our expectations and previous guidance from Ofgem. We welcome that the guidance recognises the potential for development of prepayment technology within a Smart Metering environment and that technical innovations through Smart Metering could be used to provide sensible solutions to the practical difficulties of using prepayment, while still allowing customers to use the payment method as a true Pay As You Go solution.

Relevant Factors for 'Safe and Reasonably Practicable'

We would welcome some further clarification on the implications of the requirement on the supplier to consider "additional measures to ensure that it is safe and practicable for the customer to use the prepayment meter when the alternative is disconnection." It is not clear how far Ofgem would expect this obligation to extend. For example, it may be that the meter is situated in a communal area, outside of the property which it supplies. It may be physically possible to move the meter to situate it inside the property and thus enable the customer to use a prepayment meter, however it is likely that this will be at excessive cost to the supplier. It would not seem appropriate to pass on such costs to a customer who is already in debt and it would not be a balanced requirement on the supplier to bear the burden on such costs. Where all other options have been exhausted and the customer is not vulnerable, in such circumstances the supplier may have no alternative other than to disconnect to recover the debt. However, subjectively, the guidance may appear to restrict this. We would welcome some clarification on the intent, and extent, of this point.

We think that assessing the location of the meter, and therefore the associated suitability for future prepayment functionality, is important through smart meter installation and indeed earlier, when the supplier has an opportunity to access the property. However, there will be issues with storing this information in a consistent manner. We also think that this is vital information which should be available to a new supplier upon Change of Supplier (CoS). The DCC would seem to be the most appropriate repository for this type of information, which would allow free transfer of information on CoS but also create a greater consistency on the availability and format of information. In support of the guidance then, and as an important associated workstream, we think it is vital clear principles for the collection and retention of such information should be developed, and these should be referenced within the guidance document. This will also need to reflect management of this information in the pre-DCC environment and in transferring such information to the DCC once established.

Identification of customers' circumstances

In terms of the proactive steps that Ofgem would expect suppliers to take in order to identify the customer's circumstances, we would welcome further clarification around Ofgem's expectations for the site visit(s) where other contact with the customer had not been achieved. It is not clear from the current guidance draft whether Ofgem would expect the supplier to continue to visit the premises until positive contact had been achieved with the customer. We are concerned that the current guidance, interpreted strictly, can be

read to suggest that this is the case, but are particularly concerned that this could discourage customers generally from engaging with their supplier. We do not think that this is the intention of this policy, but would appreciate clarification of this within the guidance.

We would also highlight the practical implications of requiring "senior management authorisation" prior to the installation of a prepayment meter in these circumstances. While this is a reasonable requirement for disconnections, due to the consistently low levels of disconnection, the same is not necessarily true for prepayment installations. We would instead suggest that, in cases of switching to prepayment, the guidance should reflect a requirement to "obtain suitable authorisation" or similar.

Post installation of a prepayment Meter

The first proactive step that Ofgem would generally expect suppliers to follow is to "check with the customer that they are able to afford any debt repayment level set on the prepayment Meter." While we are comfortable with the intention of this requirement, the specific language "check with the customer" seems to suggest an absolute requirement on the supplier to agree this with the customer. However, it is important to recognise that there will always be cases where the supplier will be unable to make contact with the customer, despite numerous attempts. We think that the language in the guidance should recognise this.

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

Yes, we agree that the current notification periods contained within legislation remain sufficient and appropriate for switching to a prepayment meter.

It is important to note that these timescales are backstop timescales, coming at the end of an extensive debt follow up process, including numerous contact attempts that are designed to give customers the opportunity to manage their debt and allow suppliers to attempt to identify the customers' circumstances. Suppliers' take their responsibilities towards managing vulnerable customers through the debt process seriously and accordingly are unlikely to rapidly diminish the length of the debt process so as not to give customers an adequate opportunity to address the debt issues.

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?

We think it is generally sensible for customers to have ready access to information that will enable them to safely and effectively use the prepayment meter and agree that it is sensible that this is provided to customers ahead of the prepayment meter being installed or the customer being switched to prepayment functionality.

We do not think that the Licence currently restricts the format within which this information must be presented and we think it is important to retain this flexibility, particularly with the use of increasingly Smart technology in our relationship with the customer.

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?

We recognise the rationale for requiring an option for customers to top up in cash where payment is made through a prepayment meter and to that end, we accept the policy intention of a requirement to offer the ability to top up by cash. While we think that this is something which is likely to continue anyway as a result of market forces, we think that an explicit requirement could be valuable in helping to create a level playing field across all suppliers.

However, it must be noted that the Smart meter functionality will mean a different interaction for customers paying in cash than the typical pay point, so it is foreseeable that the current cash payment infrastructure will change. We are concerned that this may have implications for interoperability more generally, as it will mean additional complexity for suppliers in establishing suitable arrangements for maintaining cash payment methods. We think careful consideration needs to be given to how this would operate in practice, and therefore ongoing discussion will be needed to ensure that any obligation to offer cash payment is set out in a way that does not give one or more suppliers a particular disadvantage, in both a pre and post-DCC environment. This should also be a key consideration in shaping the progress of the Smart meter rollout more generally, with strict controls around the installation of Smart prepayment meters particularly in the pre-DCC stages of the programme. If not managed properly, we have a real concern that this could impact the ability to deliver some of the key benefits of the programme.

More generally, and subject to our comments above, we do not think that it is appropriate that the Licence is specific about how any obligation to enable top up by cash should be offered. Moving forward, we anticipate that the technological benefits of Smart will offer a variety of opportunities for alternative methods of top up, and we would not want the Licence to restrict this in any way, which would ultimately reduce the commercial and consumer benefits from the wider Smart programme. We think that the current drafting probably strikes this balance.

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 that it is essential that suppliers have clear and robust processes in place for identifying vulnerability prior to disconnection, and that the current Licence, supported by the ERA Safety Net, provides a strong level of protection for such customers. In a Smart environment, we consider that the ability to disconnect remotely may be easier for suppliers from a technical perspective, but it is important to realise that this is only the final step in a process featuring a range of checks and balances. Therefore, we think it is appropriate that the current Licence obligations remain as they currently are.

We think that an obligation on suppliers to have regard to guidance on identifying vulnerability prior to disconnection could be helpful in aiding supplier understanding of the scope of Ofgem's intent for the Condition. However, we do have a concern that by enshrining such steps in guidance, these become prescriptive and may not necessarily reflect suppliers' changing processes or approaches to credit management. Therefore, we would welcome the opportunity to engage with Ofgem as processes develop over time, to ensure that the guidance is not overly prescriptive and therefore restricts innovation in managing customers.

Further, and building on our comments in question 1, there remains a risk that guidance can create regulatory uncertainty, given that it is not subject to the same change

management process as regulatory change. To that end, and to create a proper process for developing the guidance moving forward, we would recommend an associated obligation on the Authority to consult with relevant stakeholders on the revision of said guidance.

We would suggest the following wording to be included directly following the proposed new Condition 27.B:

27.11C Before revising any guidance issued under paragraph 27.11B, the Authority shall give notice that it proposes to do so to:

a) Electricity / Gas Suppliers in whose Licences Section B of the Standard Conditions has effect ;
b) The National Consumer Council; and
c) Any other person whom the Authority considers it is appropriate to consult.

27.11D A notice given under paragraph 27.11C must:

a) State that the Authority proposes to issue revised guidance in relation to the Condition and specify the date on which it intends that it should take effect;
b) Set out the text of the guidance and the Authority's proposals for revising it; and
c) Specify the time (which must not be a period of less than 28 days from the date of the Notice) within which representations or objections to the proposal may be made;

and the Authority must consider any representations or objections which are duly made and not withdrawn.

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

We think that the draft guidance on identifying vulnerability prior to disconnection is generally sensible and probably in line with our expectations based on previous reviews of the debt follow up process with Ofgem and Consumer Focus.

Given the implications of the guidance being given a more formal status within the Licence Condition, it is important for suppliers to have clarity over the intention of the current draft guidance. To that end, while we are generally comfortable with the content of the draft guidance as presented, we would appreciate the opportunity to highlight any points of interpretation with Ofgem where appropriate.

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 think that rapid reconnection is sensible and anticipate that this could easily be achieved through the new Smart technology. However, bearing in mind that this is likely to be included within the Safety Net prior to the full rollout of Smart, we think that it should be carefully defined, so as to be able to provide a clear balance of supplier responsibilities between rapid reconnection through Smart technology and reconnection where physical

access to the property is required. We think that this can be achieved with careful drafting through the Safety Net.

We do have some concerns over the proposals for compensation in some cases, as this could create a culture of compensation where it is not necessarily due and could ultimately dissuade customers from engaging with their energy supplier through the debt follow up process.

In taking this proposal forward, it will be essential that 'disconnection in error' is clearly defined and understood. We think that this is designed to address cases where the Smart technology results in Property A being disconnected, when the supplier really intended to disconnect Property B. In such a case, this could cause distress and potentially harm to the occupants of Property A, and we could understand why a goodwill payment in such circumstances could be justified. This is poor customer service in any case and we would fully expect all suppliers to have robust processes in place to minimise any such incidences, therefore we do not expect the proliferation of such cases to be widespread.

We would also raise concerns about liability where the disconnection in error has resulted from an action by a 3rd party, such as the DCC or an associated service provider. In such a case it may or may not be appropriate for the supplier to recompense the customer and reclaim this from the third party. In doing so, suppliers would also have to recognise that they will be incurring the negative reputation associated with disconnecting a supply in error, even if this was out of their control. We think that clear roles and responsibilities around the management of such issues will be important. It would seem appropriate to include these within the Smart Energy Code (SEC) to clearly define the responsibilities that would lie with third parties in the case of a disconnection in error, but we also think that there may be a role for arbitration where the supplier can't be held accountable for the disconnection and we would encourage Ofgem and DECC to give further consideration to this issue.

However, there is little value in establishing a compensation scheme if there are underlying issues with the quality of industry data that are exacerbating the instances of disconnection in error. In the first instance therefore, it will be important to ensure that industry data is of sufficient quality and appropriately managed so as to minimise any opportunities for disconnection in error. This will be especially important prior to the establishment of the DCC. We would ask Ofgem and DECC to facilitate discussions on this specific issue as quickly as possible.

We note proposals to include this requirement within the ERA Safety Net, which is designed to protect vulnerable customers from disconnection. As a voluntary undertaking from all suppliers relating to disconnection, we can see why this may be a suitable vehicle for such a proposal. However, we do think it is essential to distinguish 'disconnection in error' in this context from the unknowing disconnection of vulnerable customers. If compensation were automatically required where a customer was disconnected and subsequently identified to be vulnerable, it would further dissuade customers from engaging with their energy suppliers earlier in the debt follow up process and could ultimately lead to a general expectation of compensation around disconnection. Additionally, in any case where disconnection occurs, the supplier will have undertaken numerous steps to attempt to engage with the customer and provide solutions to manage the debt, prior to this final action. It would be inappropriate to 'reward' the customer in such circumstances for building up a debt and failing to engage with their supplier through the follow up process.

We appreciate the proposal for suppliers to take this forward on a voluntary basis and are happy to take forward discussions with the ERA on the above points, with a view to agreeing a suitable approach. We would also be happy to further engage with Ofgem on this issue.

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

Yes, we agree that the current notification periods for disconnection are sufficient and appropriate.

It is important to note that disconnection is a last resort for all suppliers, and that it only ever arises at the end of a long debt management process, with a variety of attempts to contact the customer and agree solutions to manage the debt. Therefore the current legislative notification periods provide a suitable backstop for customers prior to warrant action, but do not mean that customers will proceed from non-payment of a bill to disconnection within 7 days.

Ultimately, the legislative notification periods provide a sensible balance between the need to appropriately forewarn the customer of the final action, and provide a relevant 'call to action' for the customer.

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 recognise the concerns from customers who are struggling to pay for their energy costs that such action could be tantamount to disconnection without the associated appropriate protections from a limited supply. Therefore we consider it appropriate and relevant that the Licence govern the use of these within the context of debt management for customers who may be struggling to pay.

For credit management, we think that the name may be misleading as it does not appropriately describe the action that is being used. We would therefore suggest that the term within the Licence be amended to 'Credit Limiting.' We would generally consider this to be more akin to prepayment functionality and would anticipate it being used in this way. However, we recognise that there may be circumstances where suppliers would require to limit credit without prepayment functionality and we therefore consider it appropriate to be classified as disconnection in appropriate circumstances and where prepayment functionality is not used.

Generally, we think that the definitions are appropriate, however, we think that clarity is needed around whether the supplier is always expected to set the current credit limit or load limit at the commencement of the contract. The current definitions suggest that this would be the case, however, given that it is likely that suppliers will want to use consumption and debt information to tailor the solution to that customer, rather than take a 'one size fits all' approach, it is likely that the supplier will not want to agree this at the start of the contract where this may not be suitable for the customer.

We would therefore suggest the following changes to the current language proposed within the consultation in relation to the definition of Principle Terms:

> (ba) In relation to a Domestic Supply Contract, any Credit ~~Management~~ *Limiting* which applies, including the maximum amount by which the payments made by the

Domestic Customer may fall short of the total amount of Charges for the Supply of Gas / Electricity which is due and payable by that Customer, *or, where the maximum amount is not determined, how that Customer will be notified of that maximum amount.*

(bb) in relation to a Domestic Supply Contract, any Load Limiting which applies, including the limit to the level of current supplied*, or where the limit is not determined, how that Customer will be notified of that limit*.

In the context of the wider programme however, we will be dependent on the delivery of the technical specification before we fully understand how load limiting will operate in practice. While the definition of load limiting as proposed is generally acceptable based on our current understanding, we think that there may be interdependencies with the technical specification which may impact the use of this functionality in certain circumstances. We also anticipate that there may be health and safety issues associated with load limiting. We would therefore suggest that this definition be 'held' for the current time, but considered again in the wider context of the technical specification once available.

However, we anticipate that, as the options presented by Smart metering develop, there will be opportunities to use load limiting and credit limiting technology as part of upfront product offerings for customers, for both budgeting and demand response purposes. It will important to allow suppliers to utilise these options in order to realise the wider benefits of Smart. We think that the current proposals seek to create this distinction within the Licences, by relating the definitions to debt follow up processes, but would welcome clarity over this point.

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 think it is appropriate from a customer management perspective that suitable arrangements are in place to prevent harm to non-domestic customers from remote switching to prepayment or remote disconnection. However, we agree with the comments within the consultation document that the protections that are contained within the Licence are not necessarily relevant for non-domestic customers. We therefore do not see a need for any additional protections in this area for non-domestic customers and in any event we think that suppliers will seek to manage this in a sensible way in the interests of managing their customer base in the best way possible.

We note that both Ofgem and Consumer Focus are monitoring these markets and think that it is sensible to re-visit this issue at a later date if this monitoring presents evidence of non-domestic consumer detriment from the remote functionality.

Chapter 4 – 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 think that greater clarity is needed as to Ofgem's intentions around the scope and applicability of such an obligation. We think that this is referring specifically to an obligation around providing terms for MAP and MAM services upon change of supply and this answer is drafted accordingly. We have considered terms for the provision of data comms separately, in our response to Q16.

In our view there is currently sufficient choice and competition for the provision of dumb metering services for electricity so we see no reason for that not to continue for smart. We think that the reasons which have led to a more limited level of competition for dumb gas meters are historical and unlikely to arise in the smart environment. We think it is appropriate for the level of competition to be kept under review, as part of the smart metering implementation, during the preparation for and progress of the smart meter roll-out. We think this could be better taken forward through discussion in the appropriate industry forum than an obligation on suppliers to offer terms.

In any case, where there may be an argument for a requirement to offer terms for use of the meter on the first occasion of change of supplier, we do not consider it reasonable for this obligation to endure upon subsequent changes of supplier. This is a particularly unfair requirement where the installing supplier contracts with a 3rd party metering provider to procure and support the smart meters. In such a case, the original supplier's contract with that metering provider will lapse upon change of supplier and the original supplier will have no way to enforce this in subsequent cases. This places a regulatory burden on the original supplier that they may have no way of ensuring compliance with, which is not appropriate.

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?

Generally speaking, we think that it is appropriate that a requirement to offer terms seeks to also ensure that those terms are fair and reasonable. However, we think that this only remains appropriate in relation to the first change of supplier event following the smart meter installation, as this is likely to be the only offer of terms that the original supplier will have any control over. Again, this will only serve to place an obligation on the original supplier, which that supplier will have no way to ensure compliance with.

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

From a practical perspective, it would seem relatively easy and straightforward to introduce a standard 'Schedule of Charges' which will ensure no party is discriminated against and each will receive a consistent and fair price, however, we share the concerns echoed within the consultation document that this could bring other risks and may have unintended consequences and therefore we do not support such an approach.

Therefore, a general obligation to require the losing supplier to offer transparent metering charges, subject to a reasonable level of commercial confidentiality, and make these available upon request seems sensible. This would mean suppliers charges would have to reflect the costs they would incur plus a reasonable margin, and would have the benefit of driving down transactional or administrative costs over time. However, this obligation should be worded carefully so as not to force one supplier to give another supplier an unfair commercial advantage by revealing matters of commercial confidentiality within that transparency of terms.

In the context of transparency, we agree that terms should include details of any associated liabilities or warranties. Beyond this, we believe that the requirement should extend to offering transparent terms for metering services and communications services separately, on the basis that the supplier may require the basic metering services, but has greater options of flexibility over the communications services.

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?

Generally we agree that a requirement to ensure that terms for communication services are transparent and readily available upon request is sensible. We believe that such terms should be a distinct and separate entity from any obligation to offer metering services on a similarly transparent basis, as it is feasible that a supplier may wish to negotiate for such terms on either an individual or joint basis.

We also think that it may be appropriate for a requirement to offer terms for use of data communications services, as a distinct obligation from any obligation to offer terms for the use of the meter. This is because the installing supplier will retain a particular interest in the data communications service and will potentially need to provide access to those services through the head ends.

However, we think that a requirement to offer terms cannot usefully be determined until a full Meter Technical Specification has been developed and is operational, as we are concerned about the significant implications that could arise from the taking up of terms for communications services before this Specification is in place.

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

It is our strong recommendation that a risk based approach is followed in the interim period prior to the DCC's full implementation. We recognise it is important for consumers to have confidence in the new smart technology and that their overall experience of the smart metering programme across Great Britain is a positive one. In particular, we believe that including more complex functionality such as prepayment within the early stages of rollout, predominantly in the period before the establishment of the DCC, could be detrimental to the wider rollout programme.

In the early stages of roll out we continue to advocate a period of 'controlled market start-up' which would continue until the DCC is fully implemented. This would be undertaken on a risk based approach where the volumes of smart meters installed reflect the threats and vulnerabilities present at that time. This approach will ensure a robust enduring smart metering infrastructure and technologies are successfully implemented in a carefully controlled manner and that customer expectations are managed at all times. We therefore believe that the approach taken to date on prepayment within the context of commercial interoperability is sensible and appropriate in order to best manage the outcomes of the Smart programme. This is not to frustrate the use of prepayment as a genuine and valuable debt collection tool, but to ensure that customer protection is maintained until such times as issues of complexity associated with prepayment can be resolved, particularly for customers who may be more vulnerable.

However, we think that there are particular issues in relation to prepayment which have not been adequately considered or provided for within the Programme as yet. In particular, we think that there are valid and legitimate uses for customer data to particularly support prepayment customers, and suppliers should have suitable access to such data for these purposes. For example, such data may give suppliers an early warning indicator that customers are struggling to use the prepayment system, or otherwise not topping up, which will enable swifter action to be taken to support that customer. We think that these are key considerations in shaping the decisions on access to data, and prepayment must be specifically considered within this scope.

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?

In so far as we consider it necessary to have strict obligations around commercial interoperability, we do not agree that there should be a de minimis threshold at which commercial interoperability obligations commence. If it is deemed necessary to impose obligations on suppliers to maintain commercial interoperability and therefore facilitate competition, then it is equally important that these obligations apply to all licensed parties. This will also ensure that consistent practices operate across the industry and smooth complexity in the longer term.

It may be appropriate to set a low level *de minimis* threshold to allow for a small degree of testing of technologies, however we anticipate that this would be low in scale. We would be happy to discuss this further with Ofgem and DECC, to determine whether this is necessary, and what level would be appropriate.