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**OFGEM Consultation on SMART Metering Spring Package-  
Addressing Consumer Protection Issues.  
A UNISON Response.**

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1. This OFGEM consultation opened on 7 February and closes on 13 April 2011. OFGEM sums up the aims of this consultation by stating,

*“ This document 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.”*

2. The OFGEM paper contains a series of questions based on an introduction and a summary of how OFGEM views the issues under consideration. In 1.3 OFGEM say,

*“ Some suppliers are already providing, or have indicated that they intend to provide Smart meters to consumers in advance of the mandated rollout. This will help bring forward the benefits of Smart metering and draw on early customer enthusiasm. **However it is important that these suppliers introduce Smart meters in a way that protects consumer interests and promotes consumer choice and benefits.**’ (UNISON emphasis)*

3. UNISON agrees that the consumer interest must remain paramount throughout the installation programme and thereafter. This is particularly important for elderly and vulnerable consumers who may fall within the fuel poor category.
4. There are five sets of questions grouped as follows:
  - Prepayment and Remote Disconnection.
  - Privacy
  - Commercial Interoperability
  - Other elements of Consumer Protection
5. UNISON's responses to the questions are as follows: (The A's)

#### **Prepayment and Remote Disconnection**

**Q1.** 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 license amendment? If not what is needed?

**A1.** Yes. Although some companies will adopt good practice it is essential for OFGEM to set out in the licence what all companies must comply with as a minimum standard.

**Q2.** 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?

**A2.** Yes. We agree that an alternative method of payment should be offered. This may include being placed on a social tariff.

**Q3.** 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?

**A3.** Agree with the draft guidance and would stress that to satisfy the terms of the guidance a supplier would need to pay a visit to the customer in order to make an accurate and reliable assessment. This is particularly important for customers with disabilities and mobility problems.

**Q4.** Do you agree with our view that the current notification periods for switching to a prepayment meter are sufficient?

**A4.** The current 7 day notification period was put in place against a very different background from that which smart meters are likely to create. The ability for suppliers to change tariffs remotely places a greater priority on suppliers to ensure that a PPM is reasonable and practicable for each individual customer. We recognise that new legislation would be needed to increase the statutory period but if OFGEM is competent to include an increased period in the supply licences then UNISON would support this. A notification period of 14 days would be preferable.

**Q5.** Do you agree with our proposal to require suppliers to give customers information on using a prepayment meter ahead of switching them to prepayment?

**A5.** PPMs will be very new to most customers and they will need help and advice to make the most of them. This is particularly true for energy efficiency and reductions in carbon emissions. Therefore UNISON agrees that an explicit requirement should be included in the supply licenses that ensures customers get prior information and advice about the operation of their Smart meter and how to exploit it for their own domestic interests.

**Q6.** 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?

**A6.** Yes. For most customers this will not be problem as they will have a bank account and increasingly have an option to bank on line. However there remains a minority who do not have access to a bank account and in circumstances where there is no reasonable alternative to either paying by credit through a bank or by charging up their meter key at a shop (or similar) within half a mile of their home then a PPM would not be suitable. Alternatively where a Smart meter enables a customer to credit their account directly through a Smart meter then this may be a workable solution. Consequently UNISON agrees with OFGEM that it is necessary to place an explicit duty on suppliers that PPMs can only be operated in circumstances where the customer can easily and conveniently credit the meter.

**Q7.** 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 license amendment? If not what else is needed?

**A7.** There are already rules prohibiting and restricting a company's ability to disconnect a customer throughout the Winter months (October to March). These are especially tough when relating to pensioners and children. Before any disconnection is made the company must be sure of the consequences for the customer. In cases where a customer is disabled and where they may have special needs that depend on an uninterrupted energy supply then no disconnection should take place without a full assessment..This would normally require a home visit. Given that Smart meters enable a supply to be cut off remotely the importance of communication and contact with the customer becomes paramount. UNISON is inclined to support the calls for disconnections to only be permitted provided at least one home visit to the customer has taken place. However the mandatory point concerns contact and communication. No disconnection should take place without prior discussion with the customer.

**Q8.** Do you have any comments on our proposed guidance regarding identifying vulnerability prior to disconnection?

**A8.** UNISON would strengthen the guidance to place an obligation on the supplier to make direct contact and communicate with a customer, preferably at their home, unless there is clear evidence that the property is unoccupied.

**Q9.** Do you agree that suppliers should ensure rapid reconnection and provide compensation on a voluntary basis where customers have been disconnected in error?

**A9.** There can be no excuse for any delays in reconnecting a customer who has a Smart meter. It is as easy as disconnection. Therefore if a supplier fails to reconnect a customer who has been disconnected in error then compensation should be paid to that customer to take into account any actual losses plus the personal detriment suffered (such as ill health, discomfort and any expense incurred directly related to the disconnection). UNISON does not accept that this important safeguard can be left to voluntary means. Although we acknowledge that the Energy Retailers Association have certain measures in their Safety Net Code, this is not enough. UNISON proposes that this issue must be provided for as part of the license agreement with the supplier.

**Q10.** Do you agree with our view that the current notification periods for disconnection are sufficient?

**A10.** To be consistent with the notice period for installation of a Smart meter UNISON proposes that customers be given at least 14 days notice of a remote disconnection via a Smart meter. This should only be given when all the appropriate pre-disconnection stages have been completed.

**Q11.** Do you agree with our proposal to explicitly set out in the supply licenses that load limiting and credit limiting amount to a disconnection in certain circumstances?

**A11.** Yes in principle but we also agree that more technical information is needed before any final conclusions can be made. When this is available a full social impact assessment should also be undertaken prior to any implementation.

## **Privacy**

Until the statutory position becomes clearer on the use of information gathered on consumers through a Smart meter UNISON proposes that OFGEM should amend the supply licenses to provide for customer choice as to what level of discretionary data can be used by the supplier. If desired a customer must be able to choose a 'dumb meter' option that would only perform a basic level of consumption readings. Suppliers must provide information and advice to customers on how they can exercise choices in this important area.

## **Commercial Interoperability**

**Q13.** Do you agree that there should be an obligation on the original supplier to offer terms for the use of the meter?

**A13.** UNISON agrees that customers should not be locked into an existing supplier by virtue of having a Smart meter. There are particular difficulties in dealing with prepayment meters when a change of supplier happens. UNISON believes that prior to a universal communications system becoming operational then smart meters should revert to dumb mode when a change of supplier has been chosen by the consumer. This cannot work unless the original (or existing supplier) is obliged to allow a successor supplier to use the meter. While it would be reasonable for the existing supplier to recover any costs we do not believe that any future expected benefits should be taken into account in calculating any compensation. UNISON also believes that the consumer should not be expected to bear the cost of making any subsequent adjustments to the meter so that it becomes compatible with the successor company. This is a complex area and UNISON feels that it is important for OFGEM to create a new license condition to ensure that all suppliers act reasonably and do not erect any unnecessary barriers to consumers who wish to swap.

**Q14.** 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?

**A14.** Beyond the response in A13, we have no further comments.

**Q15.** Do you agree with the proposed obligation that terms should be transparent?

**A15.** Yes. UNISON believes that a common system should exist within which suppliers can follow concerning the interoperability challenges faced at times of supplier swaps.

**Q16.** 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?

**A16.** There is no value in introducing a term of use of the communications systems connected to Smart meters as these are presently company specific and are therefore not interchangeable. However when the universal communications system is up and running then such terms will be required.

**Q17.** Do you have any comments on our proposed approach for dealing with prepayment?

**A17.** As we have said in A13 it is difficult to see how a successor supplier could take over a smart meter from an existing supplier unless it is in 'dumb' mode. However if it is technically possible it would be better for the existing supplier to liaise with the in coming supplier to enable the customer to remain on a prepayment basis. To deny that option would be a detriment to many prepayment customers as it would effectively rule out the option of swapping if they wish to remain so.

**Q18.** 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?

**A18.** No. UNISON contends that the customers' interests must come before those of the suppliers. It is important that all customers can continue to exercise their rights and options both before and after the installation of Smart meters.

## **Other Elements of Consumer Protection**

- Sales and Marketing at Point of Installation

UNISON recognises the potency of Smart meter installation to make a major contribution to a supplier's business objectives. However we believe that customers will react badly to any unwanted hard sell approach at a time when the installers are in their homes. UNISON has no objection in principle for these occasions to be used for information and advice about energy conservation etc but suppliers should not misuse such opportunities for their own commercial purposes.

- Tariff Complexity

While Smart meters theoretically offer endless opportunities to suppliers to design tariffs for their customers this could also result in a very confused picture across the industry and could deter consumers from making sensible choices when looking at the services and prices offered by the suppliers. Consequently we believe OFGEM should develop a framework or guidance to provide as far as possible a level playing field that will allow consumers to make meaningful comparisons.

## **6. Conclusions**

There can be little doubt that the introduction of Smart meters represents the first significant step in the nation's transformation towards a more efficient energy industry. Smart meters also offer many potential benefits to consumers. However there is also a risk that unless the whole process is carried out in the public interest then the full potential of Smart meters will not be achieved.

UNISON hopes that our responses to this consultation will assist OFGEM to put in place the most relevant and suitable regime for Smart meters to enable the best interests of consumers to be achieved.

8<sup>th</sup> April 2011.

