



**Consumer
Focus**
Campaigning for a fair deal

Consumer Focus response to Ofgem consultation on Supporting effective switching for domestic customers with smart meters

August 2012

About Consumer Focus

Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland.

We operate across the whole of the economy, persuading businesses, public services and policy-makers to put consumers at the heart of what they do.

Consumer Focus tackles the issues that matter to consumers, and aims to give people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

Our response

Consumer Focus welcomes the opportunity to respond to this consultation on proposed licence conditions to protect domestic customers who have Advanced Domestic Meters (ADMs) installed during early roll-out. This response should be read alongside our October 2011 response on commercial interoperability¹, and our letter of February 2012 on supporting effective switching for domestic customers with smart meters².

For Ofgem's information we attach Annex 1 which summarises suppliers' responses to our April 2012 Information Request (IR) on interoperability. This Annex is confidential and not for publication. We also attach Annex 2 – some example calls from to Consumer Direct from businesses about switching with ADMs.

While we support most of the proposals, as far as they go, we continue to have concerns that these protections will be insufficient to prevent all barriers to switching caused by early roll-out. Interoperability problems are likely to result in increased customer inconvenience, additional waste and higher costs for consumers. In addition negative customer experiences during Foundation risk undermining engagement in wider smart meter roll-out which could increase costs and result in missed benefits for consumers.

We welcome in principle the proposals designed to help customers with ADMs continue to access advanced services on change of supply. However, we are unclear how suppliers will respond to these, and consequently have some reservations about how effective these proposals will be in practice.

We urge Ofgem to review its proposed new position on historic consumption information and in particular are very disappointed that suppliers will not be required to provide customers with a copy of this data in a machine readable and hard copy format before it is deleted. This seems to run contrary to wider initiatives on data access and use at both a GB and European level.

We would welcome discussions with Ofgem about what further action can be taken to protect customers and ensure effective switching, particularly for micro-business consumers.

We make the following final points on the proposed licence conditions:

Customer Information requirements

- We fully support proposed Service Licence Condition (SLC) 25B.2c and SLC 25B.4. These require suppliers installing smart meters, or about to acquire a customer with an ADM, to take all reasonable steps to communicate to the customer in 'plain and intelligible language' about potential variations in service that could disadvantage them, *before* they install an ADM or enter into a contract with the customer. These safeguards should help ensure that customers are able to make informed decisions about whether they want a smart meter during early roll-out or wish to switch supplier

¹ <http://bit.ly/z5EFoi>

² <http://bit.ly/NjMrTx>

Case studies from Consumer Direct highlighting customer interest in this information

(23/06/2011) Consumer has been told that he is due to have a smart meter. He has not wanted to have a smart meter for some time as he has an Economy7 meter and is concerned that Economy7 will not be available through a smart meter. Consumer is also concerned that he won't be able to switch to another supplier if he has a smart meter.

(08/07/2011) Caller has received a letter from supplier A offering a smart meter. Caller has read about them and knows that they can be beneficial. However, the consumer is concerned that if he accepts a smart meter he won't be able to switch supplier.

- The effectiveness of these safeguards will be determined by what information is communicated, how this is done and at what point in the customer journey. For example, it will be important that customers are informed about:
 - a. The possibility of a meter exchange eg on change of supplier for prepayment meter customers during Foundation; to enable the customer to access the full range of smart services available in the market in the future; or to meet compliance requirements for the meter to be adopted by the Data Communications Company (DCC)
 - b. The likelihood of any additional home visits due to technological issues caused by ADMs
 - c. Any loss of service to In-home Displays (IHDs), mobile applications or other smart appliances reliant on the system that the customer may have. This is particularly important where the customer may have purchased these
 - d. The potential for customers to be charged to upgrade their meter to a fully compliant smart meter in the future and the implications of this eg the customer may not be able to access energy efficiency advice provided by a third party if their meter does not have appropriate data storage capacity or their Home Area Network (HAN) isn't the right standard. Consumer Focus's IR indicated that a number of suppliers are considering charging for upgrades (See Annex 1). We seek reassurances that the proposed wording captures these scenarios
- It is important that this information is clearly communicated to customers and we would encourage suppliers to share with consumer groups and Ofgem how they feel this can be best achieved. For face to face sales, for example, it might be possible to include it within the clarification check, whereas for switching sites or online sales a few questions could be incorporated into the site process. It is not sufficient to rely solely on information being included in the terms and conditions however clearly written. Consumer Focus research found that only 26 per cent of people have read in full their energy terms and conditions³. This information should also be communicated some time before the installation, not during the home visit itself when the customer already feels committed to have a meter, has taken time out, and the installer is in their home. Ofgem will need to monitor approaches.

³ This stretches from 20 per cent for 18-24s to 35 per cent of 55-64s. Those in social groups DE said they were most likely to read the Terms and Conditions; 30 per cent versus C1 23 per cent and AB 25 per cent.

- We seek clarity as to what the process will be if the sales assistant is unable to identify what kind of meter the customer has, or who installed it. At what point will the customer be given specifics about the service they will receive should they switch? It is also particularly important that customers are not held to the terms and conditions where there has been a loss of functionality of service and they were not made aware of this prior to the switch
- It would be valuable to have an obligation on suppliers to remind customers of their right to switch. We have received some anecdotal reports of customers being told that they could not change supplier once they had a smart meter installed.

Example case study from Consumer Direct

(22/12/2011) Consumer is moving to supplier A to have a smart meter installed. Big supplier B her current provider has told her that if they install a smart meter she won't be able to move supplier afterwards – she wants to know if this is true.

Monitoring

- Given the importance of monitoring the effectiveness of these proposals we fully support SLC 25B.3 that the licensee must take and retain appropriate records detailing how they complied with the licence conditions
- We similarly support SLC 25B.13 which requires suppliers to provide the Authority (Ofgem) with timely information on request which will enable monitoring of compliance
- Energy companies' responses to our recent IR indicate that not all suppliers are recording basic information which may be needed to monitor compliance. For example, three of the seven suppliers did not know how many ADMs they had adopted. Most suppliers lacked complete and accurate information on the number of customers with ADMs who had tried to switch to them, success rates and reasons for failure. Ofgem should outline its expectations around record keeping in relation to all these licence conditions or else the necessary information may not be available when requested. This information will also be needed for reporting on costs of roll-out to ensure accountability
- We seek clarity as to *if* and *how* Ofgem intends to monitor the effectiveness of these protections. Monitoring needs to evaluate the customer experience, the impact on the wider roll-out programme, as well as the resultant impact on costs and where these fall
- There remains a real risk that if early recipients of smart meters have a poor experience it could undermine overall customer acceptance and engagement with roll-out with resultant negative impacts on the business case and failure to realise key consumer benefits (see further example cases below from Consumer Direct).

26/08/2011) Consumer told that her meter will need to be changed and a smart meter put in. Consumer does not want this as she wished to change supplier and has been advised that another supplier will not take on the supply if she has a smart meter.

(20/09/2011) Consumer has been told by Company A that if he switches to them he will have to have a gas smart meter but is concerned that having a smart meter will make it difficult for him to switch in the future if other suppliers can't support it.

Replacement of a prepayment Advanced Domestic Meter

- We strongly support SLC 25B.12. It is important to prevent suppliers charging prepayment meter (PPM) customers with ADMs if they need to have their PPM replaced should they switch. We believe it would be totally unacceptable to charge customers in these circumstances but particularly inequitable for PPM consumers given that they tend to be disproportionately on low incomes⁴. Any charges are likely to act as a further deterrent to switching. In some instances customers will already incur the cost of having to take time off work, where they are paid by the hour, to wait in for the meter installer
- We continue to believe that no customer should be charged if they have to have their ADM replaced, not just PPM customers. It would be unacceptable if householders are faced with additional charges – whether an up-front cost or higher tariff because their new supplier is unable to support their advanced metering system when they seek to switch. Ofgem should keep under review whether this policy needs to be extended to all customers with ADMs, not just prepayment customers. For example, a number of suppliers have indicated that they may charge for upgrades to fully compliant or newer meters with additional functionality.

Availability of ADM services on change of supplier

- Suppliers' responses to our IR highlight the likelihood that under the current arrangements most customers with ADMs will lose smart services on change of supplier (see Annex 1)
- We therefore particularly support in principle new requirements in SLC 25B6 and 9 which are designed to help ensure customers with ADMs are able to continue to access advanced services on change of supplier. We especially welcome the requirement that the installation supplier must 'as soon as reasonably practicable' provide the information needed. This should help minimise any potential gamesmanship and help ensure that customers can still be switched in a timely manner
- However, as we do not yet know how suppliers will respond to these proposals, we have some reservations about how effective they will be in practice. In particular we query if there is sufficient incentive on all suppliers to want to continue to offer advanced functionality to their new customers on change of supplier
- We support proposed Condition 25B.2 which states that suppliers must take all reasonable steps to ensure that 'no misleading or inaccurate information relating to *Charges* for the supply of Electricity will be provided to the Domestic Customer...via an Electronic Consumption Data Display'. However, we continue to believe that this should be expanded to ensure all reasonable steps are taken to ensure that no misleading information is provided via the display, not just information relating to charges. This would help future-proof the licence condition. Responses to our IR highlight a lack of clarity as to precisely what information customers would have access to on their IHD on change of supplier. Most companies reported that this would depend on 'what state the previous supplier had left the IHD in' and that they would have no control over that after they had acquired the customer and the meter had reverted to standard mode

⁴The Retail Market Review – Initial Findings and Proposals March 2011 <http://bit.ly/fl6DuH> (PDF 3.98MB)

- We are also unclear what, if any, impact these proposals will have on the time it takes the customer to switch supplier or the additional costs associated with running multiple parallel systems. We seek further clarity on this.

Historic consumption information

- We recognise the data privacy issues identified but believe that where the supplier can support the appropriate advanced service, that historic consumption information should still be retained on the Electronic Consumption Energy Display and the ADM on change of supplier. This is essential to ensure customers have access to historic consumption information to access the benefits of smart eg better manage their energy use, query historic bills, or make more informed switching decisions
- Under the current proposals there is no commercial incentive on the supplier to retain the data and we expect them to delete it as a matter of course, for ease of process and competition reasons. If this occurs it will be a lost benefit to consumers. We strongly recommend that Ofgem reconsiders this approach
- We firmly believe that suppliers should provide consumers with a copy of their historic data prior to completion of the switch. This should not just be 'offered' but provided as a matter of course, as customers might not understand the value of this information until they seek a service for which it is needed, and then it would be too late
- We are very disappointed that Ofgem is not planning to require suppliers to provide customers with a copy of this data in a machine readable and hard copy format before it is deleted. This seems to run contrary to the spirit of the Government's wider midata programme, Ofgem's objectives of delivering effective competition and the requirements of the latest European legislation on data. It is particularly surprising given the proposed new licence conditions on data access and privacy and Ofgem's new responsibilities in this area
- We also believe that suppliers should retain other kinds of data on the meter that could benefit customers. For example voltage data so customers can monitor their quality of supply, including the number of outages. This could help them seek redress where needed and hold energy companies to account

Definitions for conditions

- **Advanced Domestic Meter** – we continue to query if the proposed definition of an ADM will capture all meters with advanced functionality as intended. For example, as we understand it, the following common Landis+Gyr ADMs (electricity 5236E-Y and 5236J-Y, Gas Libra 310, Gas Libra 310P) might not provide multiple time periods. We seek reassurances that this definition is adequate and estimates as to the projected number of meters that will not be covered by this definition and therefore these protections.
- **Electronic Consumption Data Display** – we seek reassurance that Ofgem has liaised with the Department of Energy and Climate Change (DECC) to ensure consistency of terms. There is already confusion about the difference between energy monitors, IHDs and energy displays. It is important that Ofgem doesn't use another term unnecessarily that could add confusion. This would be in line with proposals around standardisation of terms outlined in the Retail Market Review (RMR). As it stands, this definition covers online feedback mechanisms as well as standalone displays which we fully support.

Further work needed

We believe that further action is needed to ensure the effectiveness of these proposals:

Suppliers offering terms to supply

- In response to our IR, all suppliers reported they accepted customers with ADMs except for EDF who said it did not accept ADMs operating in prepay mode as it can't support these. Data from Consumer Direct contradicts this, suggesting that other suppliers may in practice also be rejecting customers, especially those who have ADMs installed by small suppliers (see case studies below).
- Under SLC 22 suppliers have a duty to supply customers. However, under SLC 22.7 (b) the supplier does not have to do this, if 'if it is not reasonable in all circumstances of the case for the licensee to do this'. We seek clarity as to Ofgem's position on this.

Example case studies from Consumer Direct:

(20/01/2012): Consumer moved into a property where small supplier F were the provider and had installed smart meters. Consumer has tried to switch but upon finding out about the smart meters many suppliers are saying they can't take him on. Consumer agreed a contract with small supplier G but they are now saying that they can't take the supply on because of the Independent Gas Transporter (IGT). Consumer is really struggling and says paying far too much with supplier F.

(07/12/2011): Consumer is a small supplier H customer and has a smart meter in prepay mode. He is trying to change supplier and has approached big supplier A and big supplier E but neither can take him on because he has an electricity smart meter. He's asked supplier H to change it back to a normal credit meter but they say they cannot do this.

(19/12/2011): My complaint is not so much a complaint, as a plea for help! I recently bought my first house (yay!) but it turns out the previous energy supplier for the property, supplier G, had installed an unusual kind of gas and electricity pre-payment smart-meter I don't want to sign up with supplier G as they only provide electricity and gas via pre-payment which is too expensive. I have called them numerous times, but they are flat-out refusing to change me to a credit meter. Every electricity and gas supplier I talk to, the second they find out I have one of these 'smart' meters, they refuse to have anything to do with me. Apparently their engineers are unable to remove the existing meters because they are not familiar with them (despite the smart pre-payment meters being wired identically to a credit meter). I have to get supplier G to remove the meter. I am stuck. I have wasted almost a month trying to get the meters changed, but no one wants to know. What options do I have? The only response I've had from supplier G is an emphatic 'not our job!'

- If the customer tries to switch and the energy company rejects them this can create a particular problem for customers who are with small supplier as small suppliers are not required to offer customers a choice of payment methods. As illustrated above this can leave the customer locked into not just a particular company, but also locked into a payment method with potentially limited tariff availability that could be both inconvenient and relatively costly. This needs to be addressed
- Our IR reported that suppliers say they make the same tariff portfolio available to customers who switch to them with ADMs as those with standard meters. This is welcome. However, we believe practices in this area should be monitored as while we understand that there is a duty on suppliers to offer terms, we have concerns that there may be a move to restrict the tariffs open to these customers. SLC 25A on undue discrimination effectively means that suppliers have to justify any additional costs to serve if setting a higher price. Would the additional costs of servicing a non-compliant ADM enable suppliers to charge customers more and consequently restrict customer choice?

Switching sites and third parties

- There is currently no requirement on switching sites to inform customers with ADMs of any potential changes to service that they may encounter on change of supply. As outlined below in the case studies, this is currently an issue. It can result in customer inconvenience, frustration and a potential backlash against smart metering. We are unaware of any discussions that have taken place with switching sites to attempt to address this problem. Ofgem should take a lead in resolving this issue given its new responsibilities with regard to the Confidence Code.

(24/06/2011) The consumer contacted Uswitch and he entered into a contract with big supplier A over the phone. Yesterday the consumer received an email stating that supplier A has had to cancel the contract. The consumer called Uswitch and they stated that supplier A cannot work with her smart meter.

(11/08/2011) Consumer was with Supplier E and had the meter changed to a smart meter. She arranged through a broker to change supplier to supplier A due to price increases by E. However A have said they can't take her on as smart meters are not compatible with their service and would need to change meters from E before the transfer could happen

Inter-changeability issues

- The issues of early mover market dominance pre 2015 and the inter-changeability of appliances that run off of the home area network has not been assessed or addressed. This gap in protections was recognised at the July 2012 DECC Overall Design Advisory Group (ODAG) meeting. It was recognised that customers may unknowingly have to change their IHD/smart appliances, or lose functionality on them, if they switch supplier or move home where a different metering system has been installed. This is particularly concerning where they have paid for an appliance such as an enhanced IHD or home energy system and are unaware of any potential problems.

- No consideration has been given to the impact on competition in the energy services, products and other markets of failure to resolve inter-changeability issues. We understand that the home area network (HAN) and wider area network (WAN) standards are undefined for Smart Metering Equipment Technical Specifications (SMETS)¹. This could create barriers to third parties who seek to offer products and services that run off of these systems. The decision to require the installing supplier to support the meters or offer services could have unintentional consequences by encouraging the proliferation of a given communications approach. This could result in restricting customers' choice to the installing supplier and further cement early movers' closure of this market. British Gas for example, has come under criticism from water companies and manufacturers, who are unable to piggy back on their system or offer the range of appliances they would like

Micro-businesses

- Further work is needed on small supplier interoperability. Calls to Consumer Direct suggest that some customers with ADMs are facing barriers to switching including suppliers not accepting them as they have an ADM; tariff choice being restricted and customers ending up on more expensive tariffs as a result of problems (see Annex 2). It is important that these are addressed. We would welcome understanding what work is being carried out in this area.

Prepayment

We welcome the focus on facilitating piloting of smart prepayment to help unlock the benefits of advanced metering for prepayment customers. However, we are mindful that the need for a meter replacement could act as a barrier to switching and it is important that customers are not locked into a supplier with potentially uncompetitive prices and inadequate service.

We urge Ofgem to consider how it can ensure that PPM customers are not unfairly disadvantaged pre-DCC. For example, should customers be offered some form of price guarantee and/or an assurance of an improved level of service if they accept an ADM? For example a commitment that their tariff will never be more than the cheapest available PPM tariff in the market, benefits such as remote top-up options and a prepay-ready IHD. If the customer was dissatisfied they would also still have the option to switch supplier at no additional cost. This would be a particularly valuable safeguard for customers who are on prepayment because of debt rather than through choice.

Consumer Focus PPM research suggests that prepayment customers potentially have the most to gain in terms of improvements in customer service from smart metering and in the long-run improvements in competition and a downward pressure on price. But, this will only happen with the right regulatory framework. For example:

- New and more convenient ways of paying, such as top-up and payment by text message, phone or internet mean that customers can avoid having to make trips to prepayment outlets

- More accessible information on energy consumption via IHDs and easier access to key data. For example, at the moment we understand that, on Quantum PPM meters, the consumer has to press a button over 30 times to access account information. In our recent qualitative research into attitudes toward prepayment⁵, none of those interviewed were aware that this information was available on their meter. These kinds of usability issues can be addressed
- Removal of the dependency on keys or cards to load payment onto meters which cause problems for consumers if lost, stolen or broken, and incur a cost to replace
- Low credit warnings could be provided via the in home display – at present where a meter is located outside of the property eg in a basement, low credit warnings cannot be heard. This means consumers can unwittingly self-disconnect
- Using the installation visit to plug the prepayment information gap that customers tell us exists– helping all customers understand how to more effectively use their energy meter and manage their energy use to budget more easily

⁵ *Cutting back, cutting down, cutting off, Self-disconnection among prepayment meter users.* Consumer Focus, July 2010, <http://consumerfocus.org.uk/g/4lx>.Page12. This is the biggest ever study of PPM energy customers. The study explored attitudes to this payment method, and the extent to which PPM customers self-ration or self-disconnect.

Annex 2: Non-Domestic Switching Issues from Consumer Direct Case Notes:

Below is a selection of calls to Consumer Direct from business about switching with ADMs. For confidentiality reasons the supplier names have been redacted.

(24/01/2012): Consumer had a smart meter fitted about a year ago by Supplier A and have transferred to Supplier B. They wanted to monitor their usage and make savings but Supplier B cannot offer the functionality – wants to know if this is allowed and how best to

(17/11/2011): Consumer wrote to Supplier A to inform them that she was switching to Supplier B at the end of her contract giving them the correct amount of notice – Supplier A then contacted her saying that Supplier B had not taken over the supply so was being put on out-of-contract rates with Supplier A. She then contacted the broker who'd arranged the shift who told her that Supplier B couldn't read her meter because it's a smart meter. Because Supplier B didn't notify her of this issue consumer has been stuck on worse rates which cost her more money.

(31/10/2011): The consumer had three meters with Supplier A and wanted to change to Supplier B. While two of the meters were fine, the third was a smart meter and Supplier B have said that they cannot support it.

(31/08/2011): Consumer moved into property in February where Supplier A was deemed supplier. On 1 March consumer had a smart meter fitted, but then switched his supply to Supplier B, whom he has been paying his bills to. Supplier A have since been billing consumer on his old meter number claiming that Supplier B have taken over wrong meter and that they are still the supplier and he has an outstanding amount of £600 with them.

(31/08/2011): Consumer has up until 22 September to cancel their Supplier A contract, to avoid a roll-over in December. Consumer has been searching for a new supplier with lower rates. Consumer has been told different things by different companies. Consumer has asked comparison services but they've given different suppliers as the cheapest. Consumer also states that the quotes have been affected by their having a smart meter.

(22/06/2011): Consumer took over property in March of this year and used a broker to find them a good rate for their energy. The broker agreed a contract for consumer with Supplier A. Supplier A then cancelled the contract on the grounds that consumer had a Smart Meter which they could not support. Consumer was assured by the broker that the error was theirs and that they would make up the difference of her rates between Supplier A and her deemed supplier. Supplier B but have now reneged on the offer of compensation and have told consumer they will not refund her.

(01/04/2011): Consumer's contract with Supplier A ends on 3 April. Consumer sent cancellation notice within renewal period in November. Supplier A confirmed cancellation. Consumer found Supplier B via a switching site. Supplier A installed a smart meter in Nov 2010. Consumer has 2 electricity meters. Supplier B claims it cannot support smart meter but were able to take over the other meter. As a result consumer will be placed onto 'out of contract' rates. The consumer has complained to the switching site as they should have known that Supplier B couldn't work with a smart meter.



Consumer Focus response to Supporting effective switching for domestic customers with smart meters consultation

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