

# In a smarter world

## Consumer empowerment and protection post 2015

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# Introduction

Focus on:

- A handful of key opportunities and risks post 2015
- Domestic customers only – though similar issues for micro-business consumers
- Not covering consumer issues related to smart grids

# 1. Smart prepay

## Potential change:

- Today 13% of customers in GB pay for their energy using a PPM – an estimated 9.6m people living in homes with a PPM.
- Smart meters can operate in both post and prepaid mode
- Up to a third of consumers will be on some kind of prepayment offering for one or more fuel once smart rolled out?
- PPM customers tend to be disproportionately on low incomes – smart could facilitate interest from wider demographic
- New 'managed credit' products that combine post and pre-paid energy



# Smart Prepay Energy

Opportunity	Risk/Challenge	Role for Ofgem
<p><b>Improve customer service</b></p> <p><u>Greater choice and convenience when topping up</u> e.g. via text, phone, online – not just cash at a payment outlet</p> <p><u>Quicker and easier resolution of problems</u> using remote diagnostics e.g. 46% of calls to Consumer Direct about PPM about settings – tariffs, debt repayment levels.</p> <p><u>End problems resulting from lost, faulty, stolen devices.</u> Customer often have to pay for replacement keys and wait for a replacement or home visit for a wind-on. Accounted for 1 in 4 contacts to Consumer Direct about PPMs. 1 in 10 about delay in receiving key of which half off-supply,</p>	<p><b>Service could decline</b></p> <p>Top-up speeds to gas and electricity meters may decline . Takes longer for credit to reach the meter than inserting a key or card.</p> <p>Longer waiting times for confirmation of payment in shop</p> <p>Communication failures mean customer top-up could fail for new reasons e.g. maintenance, up-grades, bad weather, peak demand.</p>	<p>Monitor the customer experience</p> <p>Set new guaranteed standards – compensation and recourse where problems</p> <p>Robust standards for the DCC are needed around reliability and performance</p>

# Smart Prepay Energy

Opportunity	Risk/Challenge	Role for Ofgem
<p><b>Ways to prevent and tackle disconnection</b></p> <p>16% of users self disconnect at least once a year. 5% disconnect regularly (at least 3x a month) . Could offer:</p> <ul style="list-style-type: none"> <li>- Gas friendly credit</li> <li>- Low credit warnings on in home displays or sent to a mobile phone</li> <li>- Easier monitoring of self disconnection to target help and support at those in need</li> <li>- Trickle flow – a life line of energy for PPM customers as an alternative to disconnection.</li> </ul>	<p><b>Suppliers not offer new services</b></p> <p>Not all customers get benefit of new functionality – no incentive for suppliers to offer it e.g. electricity friendly credit slow to adopt</p> <p>Data privacy challenges to monitoring self disconnection?</p> <p>Real time validation of payments could mean a customer using wrong payment device is left off supply</p>	<p>PPM Guidance strengthened around obligations to monitor disconnection and take action</p> <p>New licence conditions to require suppliers to offer new services</p> <p>Investigate potential for trickle flow as alternative to self disconnection for PPM only?</p> <p>Be proactive in identifying new points of failure in the smart prepay system and customer journey where problems</p> <p>Require suppliers to offer 24/7 free phone helpline</p> <p>Identify solutions to barriers to compatibility with micro-generation</p>

# Smart Prepay Energy

Opportunity	Risk/Challenge	Role for Ofgem
<p><b>Reduce cost of prepayment tariffs</b></p> <p>One of the most expensive payment methods – dual fuel pay £85 more than DD. Single gas £43 more.</p> <p>By reducing additional costs to serve and removing inefficiencies e.g. unallocated or misdirect payments, costs keys cards</p> <p>Improve competition.</p> <p>ATM charges from cash top-ups can add to cost of energy</p> <p>Main reason dissatisfaction cited among customers.</p>	<p><b>Prepay costs rise, hitting vulnerable customers the most</b></p> <p>Cost to serve rise due to costly PPM specific solutions e.g. wired solutions or enhanced IHDs, DCC, charges, security issues</p> <p>Suppliers may charge per top-up different amounts dependent on method used . What would be the impact on low income customers who top up small amounts frequently?</p> <p>Cost savings not passed on</p>	<p>Take active role in ensuring cost savings are delivered to prepay customers</p> <p>Conduct research on impact differential charging. Ofgem to set expectations to industry.</p> <p>Greater transparency around costs to serve?</p>

# New offerings

## Potential change:

- Around 19% of domestic customers TOU tariff. DECC estimates by 2030, additional 20% customers on Demand Side Response(DSR)



## Deals to incentivise load shifting and overall energy reduction such as:

- Fixed price time of use tariffs – charged different amount depending on when during the day, week or year use energy (seasonal)
- Dynamic pricing - critical peak pricing, off peak rebates
- Automation – direct load control/remote control appliances
- Energy deals which combine supply energy with displays/energy monitoring and advice

**Also bundled offers which combine energy supply and non energy products and services**

# New offerings

## Opportunities

DSR could reduce overall costs – estimates range from £40-500m reductions by 2030

Some customers benefit from lower cost tariffs if they can shift usage

Greater choice – lifestyle tariffs?

Help improve customer engagement and competition as offers not based solely on price but range of products and services.

## Risks/Challenges

Increased complexity – how can customers compare deals to find the best one for them?

Who will be the winners and losers? Depend on:

- Ability to shift load – e.g. amount of discretionary load, fuel type, lifestyle, household make-up
- Willingness to use
- Understanding of how to get most from tariff - CF research found nearly 40% existing TOU customers probably not on the right deal for them.

NAO report suggests that low income customers in particular may not be able to access cheaper deals which smart could facilitate.

Profiling restricts tariff choice for customers



# New offerings - automation

Opportunities	Risk/Challenges
<ul style="list-style-type: none"><li>- Customers use less energy/reduce energy costs</li><li>- Can overcome on-going barriers to behaviour change caused by other types of DSR if only require one-off action e.g. signing up to and installation of remote control fridges</li></ul>	<ul style="list-style-type: none"><li>- Vulnerable consumers may not have same access to smart appliances</li><li>- Barriers to engagement and interest?</li><li>- <b>Regulation</b> for energy supply, products and services often <b>split</b> between different regulators – hard for customers to get problems resolved</li><li>- Interoperability and interchangeability of devices, including for SMETS 1 meters</li><li>- Reliability of new services</li></ul>

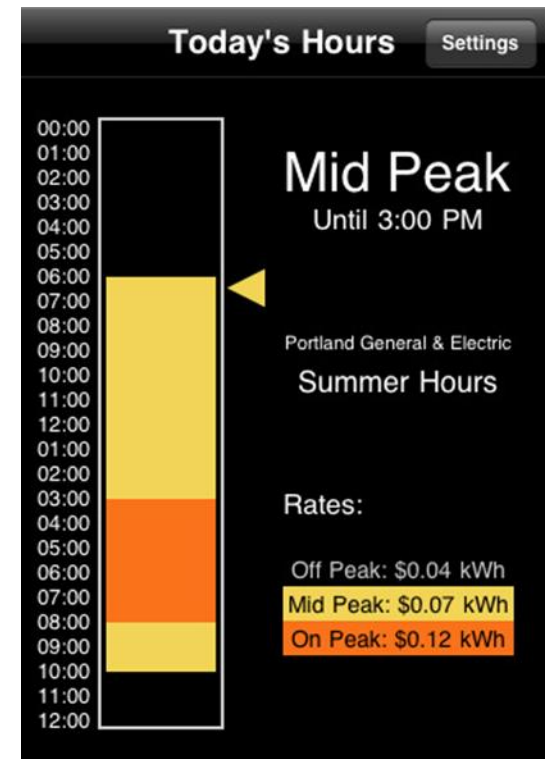
# New offerings – Ofgem's role

- Carry out a **distributional impact assessment** of different types of smart tariffs to establish likely winners and losers – take action to protect vulnerable customers e.g. concerns raised Victoria, Australia
- **Review** existing demand programmes to establish lessons learnt – be cautious of international comparisons.
- Ensure **RMR proposals** allow for some innovation but new deals are comparable and customer risk is limited e.g. limited number of time bands/ Is CPP appropriate for vulnerable customers?
- Ensure **customers have tools** to compare more complex deals in a timely way: e.g. via Confidence Code - switching sites not currently support multiple rate TOU or all PPM switching; free access to essential data in appropriate formats – midata only making limited progress

# New offerings – Ofgem's role

- **Update sales and marketing rules** – e.g. should customers be provided with projected energy costs for time of use deals based on 9 months actual data across the seasons? How do you ensure customers understand the risks involved with DSR?
- **Update requirements around provision of information** – e.g. hard copy information on peak and off peak times? fridge magnets?

Increased randomisation of TOU times means may be harder for customers to know when they can access cheap energy.



# New offerings – Ofgem's role

- **Interoperability standards** not just for smart meters and communications systems, but any connected appliances e.g. IHDs, smart fridge or air conditioning
- **Establish new rules where needed** e.g. What are fair terms and conditions e.g. will there be penalties if the customer overrides direct load control? Do they have control to over-ride? How do they get signal that peak time? Should seasonal tariffs be allowed?
- **Single point of contact** for customers and clear timely complaint handling processes not just for supply of energy, but also energy related products, services and advice.
- **Lead the necessary wider regulatory change** - work more closely with Ofwat, OFT and FOI – to simplify the customer experience and align rights and protections.

# Switching

Opportunities	Risks/challenges	Ofgem's role
<p><b>Faster and easier switching between suppliers/payment type</b></p> <p>Switch without hassle and cost of meter exchange – most suppliers charge if customer wants to switch except where no longer safe and practicable -£45-60.</p> <p>Less justification security deposit especially if can monitor debt build Security deposits -£150-200</p> <p>Facilitate consumer engagement and competition More reliable switching - Improve accuracy of the change of supplier meter reading and fewer erroneous transfers</p>	<p>New barriers to switching - growth longer term contracts and lack of interoperability even post DCC</p> <p>24 hour switching – how work with cool-off periods? Cost?</p> <p>Remote functionality risks switching in error/misuse</p> <p>Home visit, important check for vulnerability</p>	<p>Monitor the effectiveness of new licence conditions around remote functionality and effective switching</p> <p>Monitor and regulate against longer term contracts e.g. Ofcom in mobiles market</p> <p>Update protections around security deposits</p> <p>Encourage trialling of smart prepay</p>

# Data access and use/engagement

## Potential change:

### Step change in:

- Amount of data available
- Granularity e.g. appliance level
- Frequency – near real-time upwards
- Type – energy use, export and generation, voltage quality?
- Ways to access information
- Parties wanting access



## Monthly Energy Report

April 2011

For Victoria Spooner

### Monthly total

389 kWh



Normal usage compared to similar homes.

[Explore your energy habits](#)

### GridWatch

You used 26% of this month's energy during GridWatch hours (4pm - 7pm). That was high compared to similar homes.



[Learn about GridWatch](#)

### Comparison



[Discuss in our forum](#)

### Daily use



Good news for the National Grid. Your maximum energy use usually falls outside of peak times.

It looks like the energy you use on a Tuesday is higher than in households similar to yours.

### Heading out?

Take a glance at your Onzo display to make sure nothing has been left on.



### Lights out!

Turn out your lights when not in use. Lights can often be up to 30% of your household usage.



### Love the grid

Put your washing on after 7pm or when you leave the house in the morning.



Want to compare with previous months? [View old reports in the archive.](#)

Visit [MyOnzo.com](http://MyOnzo.com) to learn more about your energy usage.

If you are having problems with your Onzo smart energy kit, please email us at [support@onzo.com](mailto:support@onzo.com).

# Data access and use/engagement

## Opportunities

New tools and applications to help with **budgeting, energy management, effective switching and to engage customers:**

- In home displays
- Via mobile phones
- Online applications
- Energy reports

Consumers have new tools to **hold suppliers to account** e.g. for first time can check reliability meters; voltage quality information use monitor quality of supply/seek redress when outages

## Risks/Challenges

- Cost and charges – who should pay and how?
- Suppliers don't offer key data e.g. accurate account balance on energy displays
- Useful data is not made available e.g. voltage information
- Data is not in a format that customers can use?
- How ensure access for all including those without internet?

# Data access and use/engagement

<b>Opportunities</b>	<b>Risks/Challenges</b>
<p data-bbox="160 522 900 922">Help improve competition encouraging new entrants into the market. E.g. Accenture research indicates that 68% of UK customers would consider purchasing their electricity, energy efficiency products from general retailers, phone companies, cable providers or online sites.</p> <p data-bbox="160 986 929 1076"><b>One stop shop for customer's energy questions and complaints</b></p>	<p data-bbox="967 522 1634 612">Suppliers become data controller – restrict access to data</p> <p data-bbox="967 676 1765 865">e.g. PAC codes in mobile phone market; No bridging advice currently exists to connect to the HAN – what happens if the market doesn't deliver?</p> <p data-bbox="967 979 1717 1122">Opportunity to simplify the consumer landscape is missed due to fragmented policy development</p>



# Data access and use/engagement - Ofgem's role

- Further investigation into the impact of charging for data on consumer benefits delivery and different consumer segments
- Take steps to ensure access to data for all e.g. vulnerable customers, those without internet access
- Mandate accurate account balance via in home displays to bring in line with other sectors
- Identify and share good practice—provide incentives where appropriate



Further work on what other kinds of data should be made available, how and in what format to maximise benefits to customers

**Ofgem should champion a one-stop shop for customers energy questions for supply, products and services**

# Vulnerable and low income customers

Opportunities	Risks/Challenges	Ofgem's role
<p>New tools to help customers <b>budget</b> e.g. account updates via mobile phone</p>	<p>Incentives to deliver improvements to low income and vulnerable</p>	<p>Identify and promote good practice – legislate where necessary</p>
<p>Once smart meter installed <b>end back-billing</b> where not the customers fault</p>	<p>customers not sufficient to drive change</p>	<p>Champion a) increased data matching with DWP and agencies that know who vulnerable customers are</p>
<p><b>Easier and quicker targeting</b> of help and support to those in need</p>	<p>Suppliers back-office systems limit innovation</p>	<p>b) the development of an Extra help Scheme which links up existing social and environmental initiatives</p>
<p>Remote healthcare</p>	<p>Lack of interoperability</p>	<p></p>
<p><b>Extra help scheme</b> for low income and vulnerable customers – joined up approach</p>	<p>especially for SMETS 1 customers</p>	<p>Update back-billing rules</p>

# Conclusion – high level thoughts

There are some key challenges and opportunities in areas of:

- **Smart prepay energy** – big potential benefits but in danger of being missed
- **New consumer offerings** – but have to ensure new deals offer real benefits to customers
- Essential to deliver **easier, faster and more reliable switching** between payment methods and suppliers – but real challenges here
- Ofgem has a key role to play to ensure customers benefit from **greater access to data**
- Proactive steps needed to maximise the benefits of smart to **vulnerable customers**

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