

# Consumer Empowerment and Protection in Smarter Markets: Updated Work Programme

## Final decision

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**Contact:** Bart Schoonbaert

**Team:** Senior Manager, Consumer Policy

**Tel:** 0203 263 2769

**Email:** [Bart.Schoonbaert@ofgem.gov.uk](mailto:Bart.Schoonbaert@ofgem.gov.uk)

### Overview:

Smart meters can bring significant benefits to consumers, helping them manage their energy use and expenditure, and improving their experience of the market. Smart meters also present potential risks.

Ofgem's Consumer Empowerment and Protection project aims to ensure that consumers can participate effectively in smarter retail energy markets, recognising the opportunities and risks involved.

Following a recent consultation, this document presents the updated work programme for our Consumer Empowerment and Protection project. We also set out our plans for phase 1. We will now start our work on the phase 1 areas of 'smart prepayment', 'smart billing' and 'RMR for time-of-use tariffs'.

## Context

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Ofgem's Smarter Markets Programme was set up in 2012 to proactively identify, and see implemented, changes to market arrangements to enable the development of smarter markets. We committed to further progress this work under the theme of 'Promoting Sustainability' in our Forward Work Programme 2013-2014.

The Consumer Empowerment and Protection project is one of four within the Smarter Markets Programme, alongside the Change of Supplier, Electricity Settlement and Demand-Side Response (DSR) projects.

A first consultation on the Consumer Empowerment and Protection project was issued in December 2013. This document follows on from that consultation and the responses received.

## Associated documents

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<https://www.ofgem.gov.uk/ofgem-publications/85157/consumerempowermentandprotectioninsmartermarkets.pdf>

<https://www.ofgem.gov.uk/ofgem-publications/85129/creatingtherightenvironmentfordemandsideresponsenextsteps.pdf>

<https://www.ofgem.gov.uk/ofgem-publications/88156/fastandreliableswitchingcondocfinal.pdf>

<https://www.ofgem.gov.uk/ofgem-publications/42591/promoting-smarter-energy-markets-work-programme.pdf>

<https://www.ofgem.gov.uk/ofgem-publications/39350/retail-market-review-final-domestic-proposals.pdf>

<https://www.ofgem.gov.uk/ofgem-publications/39355/retail-market-review-final-non-domestic-proposals22-marchfinal.pdf>

<https://www.ofgem.gov.uk/publications-and-updates/smart-metering-spring-package-addressing-consumer-protection-issues>

<https://www.ofgem.gov.uk/ofgem-publications/57387/smart-metering-consumer-protections-package-statutory-consultation.pdf>

<https://www.ofgem.gov.uk/ofgem-publications/57331/nondomsmartmetersspringpackageopenletnov.pdf>

<https://www.ofgem.gov.uk/ofgem-publications/57320/consultation-smart-metering-installation-code-practice.pdf>

<https://www.ofgem.gov.uk/publications-and-updates/consumer-vulnerability-strategy>

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## Executive Summary

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In December 2013 we issued a consultation on our proposed work programme for the Consumer Empowerment and Protection project. This work programme included nine work areas prioritised across three phases. We also proposed high level objectives for the work areas in phase 1, outlined an approach to incorporating micro-businesses, and set out our intention to apply our Vulnerability Strategy across all work areas.

Respondents were broadly supportive of our proposals, with many comments and suggestions provided. Four overarching messages emerged:

- **Maintain flexibility on future work areas and phasing.** We will do so.
- **Acknowledge existing demands on suppliers in advance of Initial Live Operations at the end of 2015.** We already took account of this when drafting our work programme for consultation, and have remained mindful when updating this work programme and designing our plans for phase 1.
- **Don't stifle innovation and competitive differentiation.** We don't intend to. Where such concerns are relevant, our intention is to consider minimum standards. We are of the view that this can be consistent with enabling innovation and competitive differentiation.
- **Manage the interactions and interdependencies between the Consumer Empowerment and Protection project and other Ofgem or external programmes and initiatives.** We already highlighted several interactions in our consultation document, and acknowledge the additional ones brought to our attention. These include Workstream 6 under the Smart Grid Forum and the European Energy Efficiency Directive. We will carefully manage such interactions.

Our work programme maintains the nine work areas originally proposed, with a change in phasing for 'Consumer empowerment and protection for advanced DSR'. This has been brought forward to phase 2. The objectives we set out have been updated primarily to reflect the key messages. A summary of the work areas, phases and objectives is provided in Table 1 below. The main document also provides our views against many of the individual comments and suggestions submitted by respondents.

We will address micro-businesses within the relevant work areas as originally proposed. We will not set up a separate work area focused on micro-businesses only.

We also set out our plans for phase 1 in the main document, and will now start our work on these work areas. We want this work to be an inclusive process involving a wide range of stakeholders, and we welcome expressions of interest to be involved in any of the phase 1 work areas.

## Consumer Empowerment and Protection in Smarter Markets: Updated Work Programme

Phase and timings	Work area	High level objectives
Phase 1: <b>Foundation</b>  2014-2015	1. Smart prepayment	<ul style="list-style-type: none"> <li>• Prepayment as a clear and convenient proposition for consumers</li> <li>• Safe, easy and proportionate switching between prepayment and credit</li> <li>• Consumers protected from top-up failures</li> <li>• Robust understanding of self-disconnections and considered use of this information to support consumers</li> <li>• Effective use of available smart prepayment functionalities to support consumer budget management and debt prevention (eg low credit alerts)</li> <li>• Appropriate emergency and friendly credit arrangements</li> <li>• Prepayment consumers switching easily between suppliers with accurate and timely credit transfers or refunds</li> </ul>
	2. Smart billing	<ul style="list-style-type: none"> <li>• Accurate bills supported by convenient and effective billing frequency and payment method arrangements</li> <li>• No reliance on estimated meter readings</li> <li>• Appropriate direct debit calculations based on accurate consumption data</li> <li>• No back-bills where the consumer is not at fault</li> <li>• Timely and accurate opening bills, final bills and rebates</li> </ul>
	3. RMR for time-of-use tariffs	<ul style="list-style-type: none"> <li>• Retail Market Review (RMR) reforms for simpler tariffs and clearer information applied appropriately to time-of-use tariffs</li> <li>• No unnecessary barriers to time-of-use tariffs due to RMR reforms</li> </ul>
Phase 2: <b>Innovation</b>  2016-2018	4. Tariff innovation	<i>(For future consideration)</i>
	5. Provision of consumption data & information	
	6. Empowerment and protection for advanced DSR	
	7. Marketing & sales	
Phase 3: <b>Emerging market models</b>  2018-2020	8. Consumers without smart meters	<i>(For future consideration)</i>
	9. Debt prevention and management tools for a smarter market	

Table 1: Work areas, phasing and objectives for the updated work programme

For 'smart prepayment' our immediate focus will be on understanding supplier intentions and technical options against our objectives. We will also look at the effectiveness and appropriateness of existing prepayment arrangements as they relate to smart meters. We will also consider any steps we may need to take to ensure there are no unintended and detrimental consequences for consumers on remaining traditional prepayment meters.

For 'smart billing' our immediate focus will be on scoping out more defined expectations and requirements against our objectives. Our smart billing objectives have remained largely unchanged, but we recognise the need to be pragmatic and acknowledge the technological and implementation challenges which suppliers face. We will also consider the models which can be adopted to help deliver our objectives. Several options exist, with current billing arrangements largely based on voluntary initiatives such as Energy UK's Code of Practice for Accurate Bills.

For the 'RMR for time-of-use tariffs' work area, our initial focus will be on considering the application of the RMR reforms, for example the Tariff Comparison Rate (TCR), to time-of-use tariffs. This will include assessing whether, in their current form, they meet the objectives of the RMR interventions. We anticipate that the instruments may need to be adapted so they give relevant and clear information to help customers make decisions on how to meet their energy needs. It may also be the case that alternative solutions or enhancements are necessary.

# 1. Introduction

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## Background

1.1. The government aims for all homes and small businesses to have smart meters by 2020. Smart metering technology will transform how energy markets operate, providing the platform for a smarter energy market.

1.2. Ofgem's Smarter Markets Programme was set up in 2012, and we committed to further progress this work under the theme of 'Promoting Sustainability' in our Forward Work Programme 2013-2014. The Smarter Markets programme is looking to deliver better outcomes for all consumers through the creation of smarter markets that are more efficient, dynamic and competitive. It is not focused on the roll-out of smart meters.

1.3. The Consumer Empowerment and Protection project is one of four within the Smarter Markets Programme, alongside the Change of Supplier, Electricity Settlement and Demand-Side Response (DSR) projects.

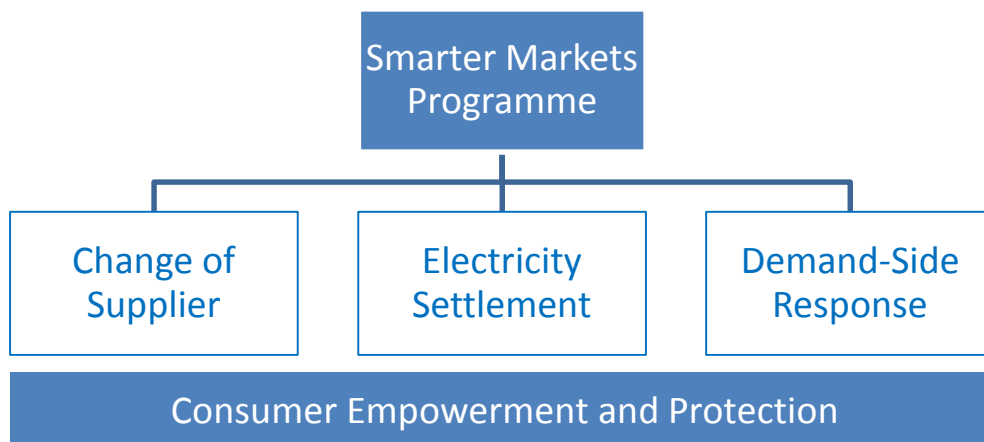


Figure 1: Ofgem Smarter Markets Programme

1.4. In December 2013 we published a consultation<sup>1</sup> on the Consumer Empowerment and Protection project. The purpose of this consultation was to get stakeholder views on a proposed programme of work.

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<sup>1</sup> <https://www.ofgem.gov.uk/ofgem-publications/85157/consumerempowermentandprotectionin-smartermarkets.pdf>

1.5. The programme of work included nine work areas prioritised across three phases. We also proposed high level objectives for those work areas included in phase 1.

1.6. We also outlined an approach to incorporating micro-businesses and set out our intention to apply our Vulnerability Strategy<sup>2</sup> across all work areas.

## Responses received

1.7. We received 18 responses to our consultation. These came from a wide range of parties including large and small suppliers, network companies, consumer organisations and industry groups. See appendix 1 for a list of respondents. The non-confidential responses have been published on our website.<sup>3</sup>

## Purpose of this document

1.8. The purpose of this document is to:

- present the overarching messages received from respondents;
- set out the updated work programme and objectives for the project;
- provide our response to the main suggestions and comments received;
- set out the phase 1 work plan in more detail, including our approach to micro-businesses;
- explain our plans for forward monitoring in preparation for future work areas; and
- highlight additional interactions and dependencies for the project.

## Structure of this document

1.9. The document is structured as follows:

- Chapter two presents the overarching messages, updated work programme and our response.

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<sup>2</sup> <https://www.ofgem.gov.uk/ofgem-publications/75550/consumer-vulnerability-strategy.pdf>

<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/consumer-empowerment-and-protection-smarter-markets>



## Consumer Empowerment and Protection in Smarter Markets: Updated Work Programme

- Chapter three presents our phase 1 workplan
- Chapter four briefly sets out next steps.



## 2. Consumer Empowerment and Protection: Work Programme

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### Overview

2.1. This chapter first sets out the overarching messages which emerged across multiple responses. We also provide our view on these.

2.2. The chapter then outlines the updated work programme including work areas, phasing and objectives for phase 1. It also confirms our approach to micro-businesses. We refer to our consultation document<sup>4</sup> for the original proposals, but highlight below the changes we made to these.

2.3. Respondents expressed broad agreement to most of our proposals, but we also received numerous specific comments and suggestions. We have carefully considered all of these, and have included below our response to a number of the individual suggestions.

### Overarching themes from respondents

#### Maintain flexibility

2.4. Several respondents outlined the need to remain flexible in taking forward the work programme. We agree with this. Our consultation document outlined work areas for the near and medium-term future so as to provide early clarity of anticipated work priorities. We also highlighted the importance of remaining flexible particularly around the work areas in later phases. Our intention is to keep these under review to ensure they remain relevant and appropriate against future market developments.

#### Acknowledge demands on suppliers

2.5. Several respondents noted the significant demands already placed on suppliers in advance of Initial Live Operations (ILO), highlighting that phase 1 of our work programme directly coincides with this. Concerns were specifically raised on placing additional requirements on suppliers requiring implementation during this time, and the knock on effect that this could have on planned initiatives around smart metering.

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<sup>4</sup> <https://www.ofgem.gov.uk/ofgem-publications/85157/consumerempowermentandprotectionin-smartermarkets.pdf>

2.6. We think these are valid concerns, of which we were already aware when drafting our consultation. We have remained mindful of these in updating our work programme and designing our approach to phase 1; details of this are provided in Chapter 3 below. We will of course actively engage with industry as we carry out this work.

2.7. Fundamentally we also remain of the view that the phase 1 work areas need to be considered specifically in the run-up to the start of mass roll-out. This is why we termed phase 1 the Foundation phase, with a focus on 'getting the basics right', and deliberately designed it to complete before all suppliers begin installing smart meters in large volumes.

2.8. Clarity on policy direction for the phase 1 work areas focus can also help inform process and system design.

### **Don't stifle innovation and competitive differentiation**

2.9. Respondents highlighted the importance of not stifling innovation or competitive differentiation. While they recognise that new protections may be necessary, several respondents also noted that these should be evidence based and recognise the aims of empowering as well as protecting consumers. These comments were raised most prominently in the context of the smart prepayment work area.

2.10. We agree and our proposed approach acknowledges this. For example, we have adjusted several objectives to reflect this. As with all policy development we will use the existing evidence, including evidence of issues with current arrangements. We will also look to fill any evidence gaps which may exist.

2.11. At the same time we are of the view that enabling innovation and competitive differentiation can be consistent with agreeing or setting minimum standards, especially where basic consumer protections are concerned.

### **Manage interactions and interdependencies**

2.12. Some respondents recognised a number of interactions and interdependencies with our planned work programme. These referred to interactions within the project itself, with other areas of work across Ofgem and with external projects and initiatives.

2.13. We agree there are several key interactions and dependencies, several of which we highlighted in our consultation document, and welcome the additional links which were brought to our attention. As detailed in Chapter 2, we have also made an adjustment to the phasing of our work programme to reflect interactions with other work.

2.14. We provide an overview of the additional interactions in Chapter 3.

## Updated work programme

2.15. Figure 2 below provides an overview of our updated work programme. This includes all work areas prioritised across three phases.

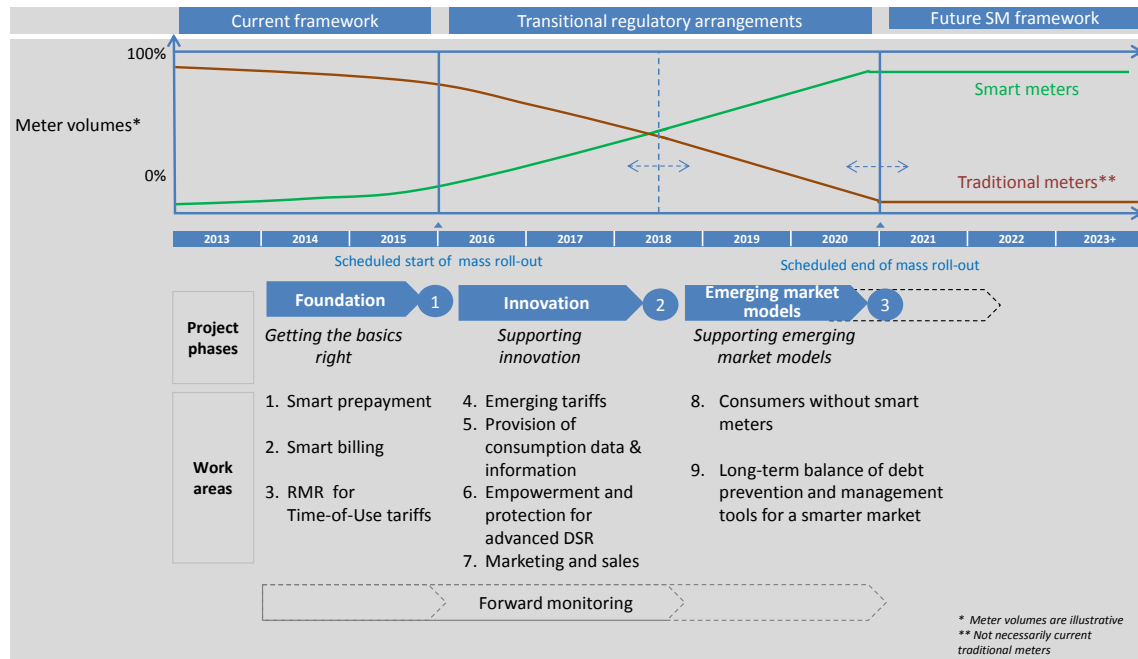


Figure 2: updated work programme

## Work areas

### Changes to our original proposals

2.16. Respondents were generally supportive and the nine work areas have remained broadly unchanged from what we proposed. We have made minor adjustments to terminology for the purpose of simplification and clarification.

2.17. We have changed the name of the phase 2 work area from 'Tariff innovation' to 'Emerging tariffs', which acknowledges a respondent's comment that the 'RMR for ToU' work area also relates to innovation. The same respondent suggested these two work areas be combined, but we believe them to be sufficiently distinct to remain separate. As detailed in our original consultation, and as the name suggests, one area is specifically concerned with the impact of RMR on Time-of Use tariffs. 'Emerging tariffs' considers tariffs more broadly and is concerned, for example, with how these are introduced by suppliers and how they are experienced by consumers.

2.18. For clarity, we have also renamed the RMR and time-of-use tariffs area from its original name to better reflect the focus of this area. We have also renamed the smart prepayment and smart billing areas from their original names. This helps to

keep it simple and distinct from other work which is related but not specifically concerned with smart meters (eg work on traditional prepayment meters).

2.19. We have also inserted 'long term' into the name of the work area on 'Balance of debt prevention and management tools for a smarter market'. Several respondents noted that the concepts of debt prevention and management also form part of earlier work areas. We agree and already recognised this in our consultation document. We refer to the consultation for further details, but note that the aim of this work area is to understand if the balance across the full range of available tools remains appropriate.

*Our response to specific comments and suggestions*

a) Offer of an In Home Display (IHD)

2.20. Some respondents requested that we consider updating the Licence Conditions which mandate offering domestic consumers the opportunity to have an IHD. These respondents suggested that we make it optional, arguing that this would allow for greater flexibility as technology evolves and that alternative propositions could be delivered at lower cost to the consumer.

2.21. Offering the opportunity to have an IHD is an integral part of DECC's smart metering policy framework. The IHD is the most visible and easily communicated element of the consumer offer, and allows guaranteed access to the relevant information for those consumers less able to access other channels. This policy is also based on a body of evidence base which shows that electricity savings with an IHD are higher than with a smart meter only, and there is no equivalent evidence which contradicts this. DECC will monitor take-up and costs of IHDs, as well as market innovations, to ensure that this policy remains fit for purpose. We recognise that technology develops at pace but do not consider it appropriate for us to review this policy at this point.

2.22. Offering the opportunity to have an IHD also does not stop suppliers from developing other innovative solutions.

b) Traditional prepayment infrastructure

2.23. Several respondents suggested a need to carefully consider the implications and issues associated with an exit from the traditional prepayment infrastructure. One respondent specifically noted that the principle of cost reflective charging for residual prepayment methods may create problems as numbers remaining on the present system become small.

2.24. We agree that this is very important, and recognise these risks. We want to ensure that there are no unintended and detrimental consequences in terms of cost or service for customers on remaining traditional prepayment meters.

2.25. We are therefore considering the steps we need to take, if any, to ensure traditional prepayment consumers are protected.

c) Nonstandard installations

2.26. One respondent suggested we focus on non-standard installations which require additional work that could result in charges to consumers. During the smart meter roll-out it may be that repairs or replacement of assets at some customers' premises are required before installations can take place. This topic has been considered at the industry working group (the Operational Delivery Group) which is attended by DECC and Ofgem. Energy UK have published a Good Practice Guidance Document<sup>5</sup> which confirms the commitment of their larger supplier members to repairing or replacing, at no up-front cost to the customer, several minor items (e.g. repairs to meter boxes) at domestic premises during the initial smart meter installation visit. Discussions are on-going regarding the extension of this guidance to higher value, more complicated work, and further defining the roles and responsibilities of relevant parties such as suppliers and distribution network companies in ensuring that the cost and inconvenience to customers is minimised.

d) Replacing advanced meters with smart meters for micro-businesses

2.27. A subset of small non-domestics will have advanced rather than smart meters for a period of time<sup>6</sup>. One respondent suggested, within the context of micro-businesses, that energy suppliers who have installed advanced meters should be forced to install smart meters. The respondent suggested that we should give specific attention to this.

2.28. In our consultation document we already recognised that some of the arrangements which we may consider could not be applicable to advanced meters in light of their more limited functionality. We noted that this does not preclude us from including micro-businesses within the project, but that we needed to take such issues into account.

2.29. DECC is responsible for the overall advanced meter and smart meter policy framework, and supplier investments and plans are based on this. It is not for us to revise this policy. The long-term trajectory is for micro-businesses to be provided with smart meters, and the exception for the installation of advanced meters is set to expire in 2016<sup>7</sup>. Micro-businesses will be able to choose a supplier which offers them a smart meter.

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<sup>5</sup> <http://www.energy-uk.org.uk/publication/finish/164-2014/1139-energy-uk-good-practice-guidance-issues-found-during-meter-exchange-visits-july-2014.html>

<sup>6</sup> See original consultation for details.

<sup>7</sup> Installed or contracted to install by 5 April 2016.

e) Including a communications work area

2.30. One respondent highlighted that consumer acceptance and awareness of smart meters is essential for many of the benefits to be realised. The respondent suggested that a specific work area could be included in the programme to review and assess the effectiveness of communications with consumers, or that this could be included within each work area. It was suggested that this should work alongside Smart Energy GB<sup>8</sup>.

2.31. Communication with consumers is a key part of all the aspects of the Consumer Empowerment & Protection project. The current Licence Conditions also require suppliers to support Smart Energy GB to carry out the role of consumer engagement and meet its four objectives. These include building consumer awareness and understanding, and increasing consumer willingness to use smart meters and change their consumption behaviour. We will keep this under review as part of our regulation and compliance work.

## **Phasing**

### *Changes to our original proposals*

2.32. Respondents broadly agreed with our proposals, and the phasing remains largely unchanged. As suggested, we have brought forward the work area on 'Empowerment and protection for advanced DSR'. We originally proposed this for phase 3; it has been now moved to phase 2. This recognises the interactions with the DSR project, also part of the Smarter Markets programme, and our wider aspirations for the early take-up of DSR. It also brings it more closely in line with Workstream 6 under the Smart Grid Forum, the output of which can serve as input for this work in phase 2.

2.33. We received suggestions to bring some phase 2 work areas forward into phase 1. Some are detailed directly below. We remain of the view that market developments need to take place before we can consider the phase 2 areas. We also acknowledge supplier concerns of demands already placed on them in Foundation. We therefore want to keep phase 1 focused on getting the true basics right first.

2.34. As noted earlier, we will keep priorities and phasing under review going forward. We may move the start of future phases, or change the timing or phasing of any individual work areas. We will communicate any such changes.

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<sup>8</sup> Previously (Smart Meter) Central Delivery Body, and referred to as such in the Licence Conditions.

*Our response to specific comments and suggestions*

a) Moving 'Smart prepayment' to phase 2

2.35. One respondent suggested that smart prepayment should be moved to phase 2, arguing that the market will have had time to grow and that we will then be in a better position to determine whether any future protections are needed.

2.36. We fully recognise that the market for smart prepayment is nascent, and that technology is yet to be fully developed, tested and implemented. As noted above, however, we remain of the view that this is a fundamental work area which falls under 'getting the basics right'. Clarity on policy direction for smart prepayment can help inform process and system design. For these reasons we have kept it in phase 1.

b) Bring 'Provision of consumption data and information' forward into Phase 1

2.37. A few respondents suggested we move this work area which will look at the effectiveness of consumption data and information arrangements.

2.38. We consider that strong protections are in place, and that the market now needs time to develop. As noted above, we also don't want to add further work into phase 1 for this project unless absolutely essential. Given these considerations, we will keep this work in phase 2 for now.

c) Bring 'Long-term balance of debt prevention and management tools' forward

2.39. A few respondents suggested that this work be brought forward. We want to reiterate that this work area constitutes a review, in time, of the full range of debt management and prevention tools available to suppliers and consumers. This does not mean that we are taking our eye off debt management and prevention in advance of this. It remains a core focus for us and a fundamental element of our duty to protect energy consumers, and runs across several of the earlier work areas within the work programme.

2.40. We remain of the view that we need to gain a better understanding of how suppliers and consumers will make use of smart meter functionalities. In order to do this we need to give the market time to develop and we will therefore keep this work in phase 3 for now.

d) Move 'Emerging tariffs' to Phase 3

2.41. One respondent suggested we move 'Emerging tariffs' to Phase 3. This would make it consecutive to the 'Provision of consumption data and information' work area, which the respondent suggested would give us more time to ensure that information provision is fit-for-purpose. Moving this work area would also bring it in

line with the 'Advanced DSR' work area, originally in phase 3, which the respondent suggested would be more appropriate. As noted above, we have brought the 'Advanced DSR' work area forward.

2.42. We recognise the concerns put forward by the respondent, and want to highlight that this work area has a strong protection angle to it. We want to help consumers avoid unintended harm from moving to more complex tariffs.

2.43. We feel we need to consider this as such tariffs start to emerge, and therefore consider it prudent to keep this work area in phase 2 for now. We will be monitoring developments throughout phase 1 and will remain flexible on timings. We are open to moving this work back if needed.

## Objectives

2.44. Table 2 below provides the updated objectives for the phase 1 work areas.

Work area	High level objectives
Smart prepayment	<ul style="list-style-type: none"> <li>• Prepayment as a clear and convenient proposition for consumers</li> <li>• Safe, easy and proportionate switching between prepayment and credit</li> <li>• Consumers protected from top-up failures</li> <li>• Robust understanding of self-disconnections and considered use of this information to support consumers</li> <li>• Effective use of available smart prepayment functionalities to support consumer budget management and debt prevention (eg low credit alerts)</li> <li>• Appropriate emergency and friendly credit arrangements</li> <li>• Prepayment consumers switching easily between suppliers with accurate and timely credit transfers or refunds</li> </ul>
Smart billing	<ul style="list-style-type: none"> <li>• Accurate bills supported by convenient and effective billing frequency and payment method arrangements</li> <li>• No reliance on estimated meter readings</li> <li>• Appropriate direct debit calculations based on accurate consumption data</li> <li>• No back-bills where the consumer is not at fault</li> <li>• Timely and accurate opening bills, final bills and rebates</li> </ul>
RMR for time-of-use tariffs	<ul style="list-style-type: none"> <li>• Retail Market Review (RMR) reforms for simpler tariffs and clearer information applied appropriately to time-of-use tariffs</li> <li>• No unnecessary barriers to time-of-use tariffs due to RMR reforms</li> </ul>

Table 2: Updated objectives

### Changes to our original proposals

2.45. Respondents were broadly supportive of the overall objectives as proposed, although several caveats and considerations were suggested. We have adjusted the wording of several objectives, acknowledging the comments detailed directly below. These changes reflect an important shift in emphasis to acknowledge the need to allow room for innovation and competitive differentiation.

2.46. We have changed the wording of the first objective of the RMR for time-of-use tariffs work area. It is important that we are able to apply to time-of-use tariffs the



key 'simpler, clearer and fairer' principles which underpin the Retail Market Review. This will mean that consumers considering taking up such offerings have the right level of protection and assistance for the decisions they make on how to meet their energy needs. We have reflected alongside the consultation that this does not necessarily mean "equal" application of every element of the RMR reforms. For example, a TCR for time-of-use tariffs will necessarily require more detailed information than one for a single rate tariff. As such, we have adjusted the objective to state that the RMR reforms are applied "*appropriately* to time-of-use tariffs".

*Our response to specific comments and suggestions*

a) Level of ambition for smart billing objectives

2.47. Several respondents suggested practical difficulties in achieving our smart billing objectives, which one respondent considered 'laudable in principle'. We have kept our smart billing objectives largely unchanged in this respect, as we continue to believe that they represent valid aspirations. We do however acknowledge these comments and reflect this in our smart billing workplan in Chapter 3 below.

b) Appropriateness of the smart prepayment objectives

2.48. Some respondents suggested that a robust protection framework around prepayment already exists and that any additional measures need to be shown to be necessary. One respondent stated that smart prepayment is 'an emerging and innovative sector, which has much greater capacity for consumer benefit than for detriment'. It was also suggested that some of the objectives constitute areas of competitive differentiation and that, subject to certain minimum criteria, suppliers should each be free to differentiate their offerings.

2.49. It is worth pointing out that several of the objectives relate to facilitating the consumer benefits smart prepayment can bring. Others relate to protections around smart-specific functionalities which current arrangements do not necessarily or intentionally cover, such as the failure of remote top-ups.

2.50. Smart prepayment could be an attractive proposition for consumers and suppliers alike, and the general prepayment consumer demographics may change with smart meters. However, while not all traditional prepayment users are from vulnerable groups, traditional prepayment consumers are disproportionately on low incomes. It is our duty to pay specific regard to these consumers. The track record on service delivery to traditional prepayment consumers is also chequered, and many issues currently exist.

2.51. Having said this, we do agree with the comments and suggestions. We do not want to stifle innovation or competitive differentiation, and have updated the relevant objectives to reflect this. We have done the same for one of the smart billing objectives. We do believe that in these areas it may still be appropriate to agree or set minimum standards, though this is to be determined through our work.

2.52. We also agree that a substantial framework of protections is already in place. This is the starting position, and we do not rule out that these may be sufficient against new risks. However, we need to do the work to ensure that consumers are effectively protected. If new protections are required, these too could take the form of minimum standards.

c) Clarification on prepayment objectives

2.53. One respondent asked if 'safe, easy and proportionate switching between prepayment and credit' refers to the business processes that are used by suppliers when customers move from a credit product to a pre-payment product, or if it refers to the availability and use of prepayment products. It refers to the former.

2.54. On the same objective, one respondent requested clarification on the point of proportionality and asked if it might imply some kind of limit on the number of smart meters operating in prepayment mode at any one time. It does not imply this. We want to make sure that no undue barriers prevent customers from switching in either direction between credit and prepayment. Important as it is to get the switch to prepayment right, suppliers also need to pay due consideration to the customer journey for switching back to credit. This is what we mean by proportionate switching between prepayment and credit.

2.55. One respondent questioned what the objective on self-disconnection is striving to deliver, arguing that it isn't clear what is different with smart meters compared to existing prepayment meters. Our view is that smart technology will bring a transformative change in the type and quantity of self-disconnection data available, and the speed with which it could be accessed. This represents a significant opportunity for developing further support mechanisms, where appropriate, for those consumers self-disconnecting. We recognise that this is a very complex and sensitive area, and that there exists a range of causes for self-disconnections. We therefore want to explore openly the possibilities with industry and wider stakeholders.

d) Duplication or overlap within prepayment objectives

2.56. One respondent suggested that 'consumers protected from top-up failures' would be covered by the objective on arrangements for emergency and friendly credit. We recognise that such arrangements constitute an important element of protection. However, mitigating actions can extend beyond these. Examples include clear and effective use of the Unique Transaction Reference Number (UTRN) provision and appropriate levels of customer support. For this reason we have kept a separate objective in respect to top-up failures.

e) Suggestions for new or changed objectives

2.57. One respondent suggested a new objective that smart prepayment customers should be protected from remote functionality. It is our view that strong protections are already in place around this, including those introduced in our 'Spring Package'<sup>9</sup>, and that any remaining remote functionality risks are covered in our proposed objectives. We have therefore not included this as an additional objective.

2.58. One respondent suggested a new objective that prepayment should be the lowest cost tariff accessible to as many customers as possible. We have regulations in place on the cost reflectivity of different payment methods. While we believe that smart technology has a strong potential to lower the cost for prepayment, it is not for us to determine which should be the lowest cost tariff. We have therefore not included this as an additional objective.

2.59. One respondent suggested a new objective that low income customers and those in vulnerable situations benefit from the roll-out of smart prepayment. It is our view that this is inherent across all of our prepayment policy work, smart and traditional. We have a specific duty with regard to vulnerable consumers, and some of the proposed objectives are targeted specifically at situations of vulnerability (for example, the objective on self-disconnections). We have also set out our intention to apply our consumer vulnerability strategy to each of our work areas. We have therefore not included this as an additional objective.

2.60. One respondent suggested a new objective that smart prepayment should improve customer service and where possible solve existing problems faced by traditional prepayment customers. It is our view that some of the greatest benefits of smart metering lie with improving the experience of traditional prepayment consumers, and that the majority of our proposed objectives reflect this already. We also note that these objectives were drawn up in large part on the basis of risks and issues identified by stakeholders. We have therefore not included this as an additional objective.

2.61. One respondent raised the issue of whether suppliers should be mandated to provide account balance information to customers through the IHD. We recognise that there could be benefits to consumers and suppliers of sharing account balance information in this way. However, we note that the IHD specification already allows for consumers to monitor their energy consumption and spending in other ways. This issue has been considered previously by the DECC Smart Metering Programme. Their conclusion was that given the potential costs for suppliers, which would ultimately be passed through to consumers, the IHD specification should allow for the provision of an account balance but that it would be for suppliers to determine if they wished to

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<sup>9</sup> <https://www.ofgem.gov.uk/publications-and-updates/smart-metering-spring-package-addressing-consumer-protection-issues> and <https://www.ofgem.gov.uk/ofgem-publications/57387/smart-metering-consumer-protections-package-statutory-consultation.pdf>

make the changes to their systems and offer the service to consumers. Given that the costs and benefits remain uncertain, we will keep this issue under review and consider how we might better understand the potential costs and benefits of the provision of account balance information to consumers.

2.62. One respondent suggested that the objective on 'RMR reforms for simpler tariffs and clearer information applied equally to time-of-use tariffs' should be expanded to include 'provided that the customer is not misled as a result'. We agree with the concept, and consider that rephrasing the objective to say 'applied appropriately' addresses this point.

2.63. A few respondents sought guidance on how smart metering, the RMR reforms and new tariffs would work together, and one respondent suggested this as a new objective. The work which we will carry out under the 'RMR for time-of-use tariffs' work area serves this purpose. Chapter 3 provides further detail. We have therefore not included it as an additional objective.

2.64. In this context concerns were also raised regarding the derogations process, which was introduced under RMR. One respondent specifically questioned whether it was flexible and timely enough to allow the free development of innovative tariffs, especially in the early stages. We have already granted a number of derogations for innovative products and are considering more requests. In the light of our experience, we are trying to speed up the derogation process and considering the need for clearer guidance on the information that suppliers need to submit. However, it is important to note that under the RMR reforms, suppliers are already able to offer time-of-use tariffs in addition to their standard tariffs without the need for derogations.

f) Responsibility and accountability for communication failures

2.65. Several respondents highlighted that suppliers may not be solely responsible for some of the objectives where a communication dependency exists on the DCC, for example around top-up failures. We recognise that the DCC has an important role to play, but suppliers hold the relationship with their customers. Even if responsibility for an event lies with the DCC, accountability to customers lies with the suppliers. In the case of a top-up failure, for example, it would be for the supplier to minimise and mitigate customer detriment.

2.66. The DCC in turn is accountable to suppliers. In 2015 we will be engaging with DCC and its users on the development of an operational incentive mechanism for the DCC to maintain a good quality of service once its services are up and running. DCC has already made clear commitments for its revenue to be adjusted according to performance against a number of service metrics, which are reflected in its licence. The detailed parameters of the incentive scheme will be developed in consultation with service users and will provide an enduring incentive framework for DCC for the remainder of its licence term.

## **Approach to micro-businesses**

### *Changes to our original proposals*

2.67. We proposed to address micro-businesses within each work area where appropriate, as opposed to including a separate work area on micro-businesses. The majority of respondents agreed with this and we will adopt this approach.

### *Respondents' views and our conclusions*

2.68. Several respondents noted that the needs of micro-businesses may differ from those of domestic consumers. We agree with this view and in developing our proposals we will distinguish between arrangements for domestic consumers and micro-businesses where it is appropriate to do so.

2.69. Two respondents suggested that micro-businesses should be considered as a dedicated work area. One respondent expressed concern that micro-businesses could become an afterthought if incorporated within the proposed work areas. Our approach has been designed to ensure micro-businesses are always considered; including micro-businesses within the individual work areas eliminates the risk that some topics do not get addressed within a separate work area.

2.70. Other reasons cited for a different approach were the unique characteristics of business consumers and the fact that appropriate phasing of work could be different for micro-businesses. It was noted that this could result in proposals for residential customers being delayed or insufficient time being allocated to issues that disproportionately affect business customers. Specifically it was suggested that the phase 2 work area on 'Emerging tariffs' may be of earlier relevance for micro-businesses than for domestic consumers.

2.71. We want to avoid these risks. Our proposal to consider micro-businesses within each work area does not mean this always needs to happen together with and in parallel to domestic consumers. The right approach will depend on the work area in question, and Chapter 3 below provides further detail for the phase 1 work areas of smart billing and smart prepayment.

2.72. We are also open to adjusting our approach for future phases of work should this be necessary.

## 3. Phase 1 Workplan

### Overview

3.1. This chapter provides further detail on our plans for phase 1. It first addresses the three work areas separately to set out specific plans. It then considers our approach to micro-businesses, consumer vulnerability and stakeholder engagement for all work areas. We also set out our approach to forward monitoring in advance of phase 2, and highlight the additional interactions and dependencies for the project.

### Smart prepayment

3.2. Figure 3 below shows our indicative workplan for the smart prepayment work. In the immediate term we will consider two components. These relate to gaining a further understanding of supplier intentions and technical options for smart prepayment against the objectives we have set out, and to considering the effectiveness and appropriateness of existing prepayment arrangements as they relate to smart meters.

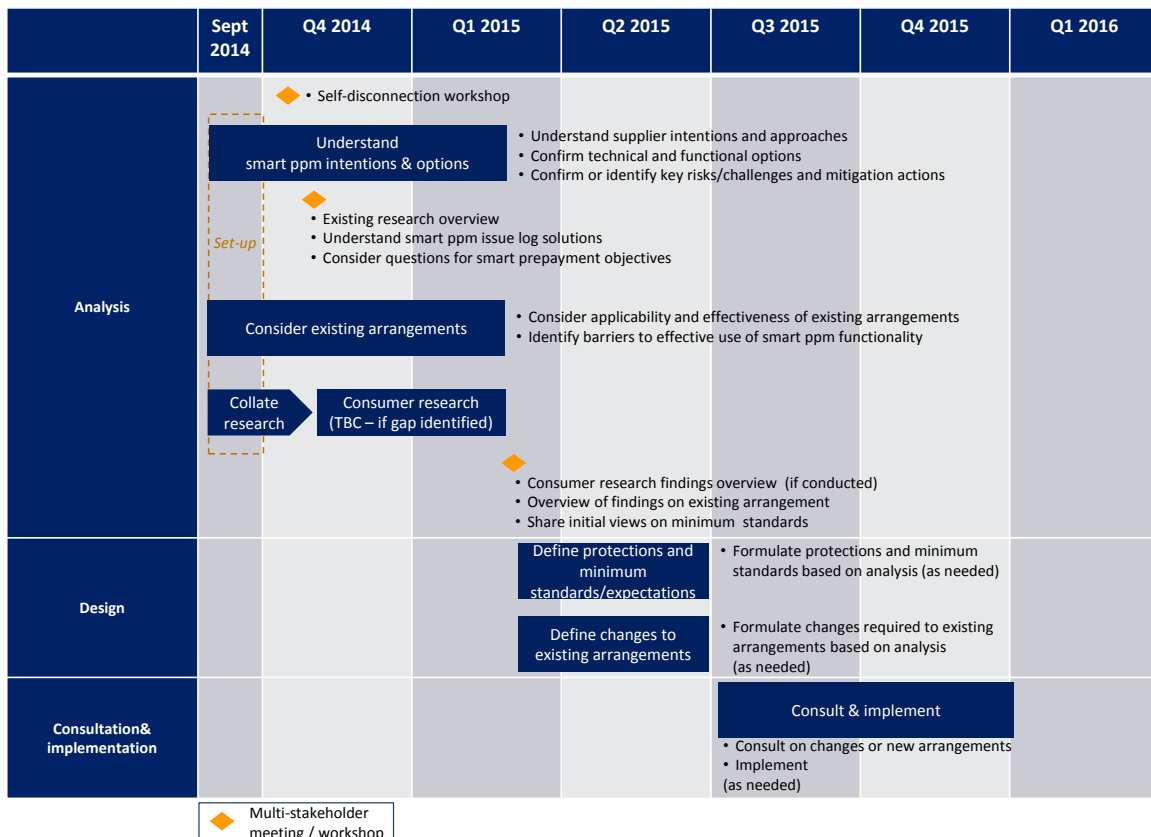


Figure 3 – Indicative workplan for smart prepayment

*Smart prepayment intentions and options*

3.3. We will work with stakeholders to understand what the plans and intentions are against the smart prepayment objectives we have set out. We also want to get a better understanding of some of the industry-wide solutions already arrived at which aim to address smart prepayment issues. This relates primarily to the smart prepayment issues log recently worked through by industry. We understand, for example, that specific arrangements have been proposed relating to the meter mode when consumers switch. As part of our immediate work we want to gain a further insight into the reasoning behind these solutions, and to ensure we feel they are in line with our objectives. To be clear, we are not suggesting at this stage that they are not.

3.4. As part of this work we will also need to confirm what the smart prepayment technology and functionalities allow for against some of our objectives.

3.5. There exists a comprehensive body of existing and ongoing consumer research on traditional and smart prepayment which can inform our work. However, if we identify any significant gaps then we will consider conducting further research.

*Existing arrangements*

3.6. As mentioned above, a substantial framework of protections exists for prepayment. Several of these were adapted for smart metering through our 'Spring Package' in 2011. While the number of smart meters with prepayment in the market is currently very limited, there have been substantial technical and functional developments since 2011. We therefore want to use the opportunity of this smart prepayment work to test whether the existing arrangements remain appropriate. It is possible that these create unnecessary barriers to the effective use of smart prepayment functionalities, or that earlier arrangements for traditional prepayment conflict with smart prepayment technology. It may also be too early to tell. This should quickly become apparent, at which point we will not take this part of our work any further.

3.7. Based on our analysis and stakeholder engagement, we will then define any protections or minimum standards we believe need to be introduced. Similarly we will define any changes to current arrangements if required. We will then consult on any proposals in advance of implementation.

3.8. We want to be clear that we are open to the possibility of not needing to introduce or change any arrangements as part of this work if we believe that the current regulations in conjunction with industry plans and intentions meet our objectives.

Clarification on scope

3.9. One respondent noted the considerable complexities around delivering smart prepayment and suggested that the aim 'should not be to deliver smart prepayment in haste at the start of the programme, but to deliver it properly'.

3.10. We fully recognise the expectations put on suppliers around making smart prepayment available. We want to see smart prepayment delivered as soon as the technology fully supports it, and our monitoring proposals<sup>10</sup> already include a metric to help us understand the extent to which traditional prepayment consumers are included in the roll-out. However, the smart prepayment work area within this Consumer Empowerment and Protection project will not be focused on the delivery timescales. That falls outside of the scope of this work.

Smart billing

3.11. Figure 4 below shows our indicative workplan for the smart billing work. In the immediate term we will consider two components relating to the content of what we want to see delivered, and to the delivery models which can help to achieve this.

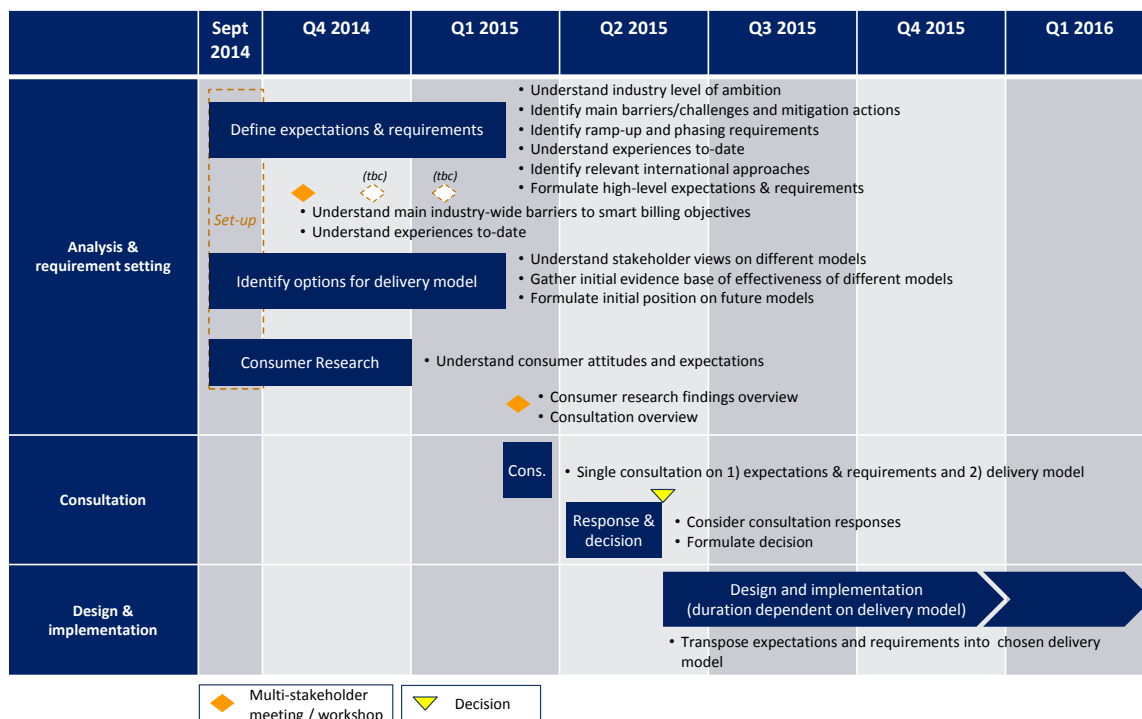


Figure 4 – Indicative workplan for smart billing

<sup>10</sup> <https://www.ofgem.gov.uk/ofgem-publications/87411/monitoringconsultation240414final.pdf>



*Content – Expectations and requirements*

3.12. As noted earlier, our smart billing objectives were broadly endorsed by stakeholders, although several respondents suggested a need to recognise the practical difficulties in achieving these. Specifically, some respondents requested that we pay attention to suppliers' experiences so far in the Foundation phase. Such experiences suggest, for example, that achieving high levels of billing accuracy can be a lengthy and incremental process. There may also be specific circumstances which justify the use of estimated bills both immediately after a smart meter has been installed and in the longer term. As indicated above, we have kept our smart billing objectives largely unchanged as we continue to believe that they represent valid aspirations. We accept, however, that we need to be pragmatic and acknowledge the technological and implementation challenges which suppliers inevitably face. We will therefore work with stakeholders on scoping out more defined expectations and requirements against the objectives we have set out. This will take account of experiences to date, and include a focus on the mitigation actions that can be taken in cases where billing still falls short of full accuracy.

3.13. In support of this work, we will use our Consumer First panel to conduct research on domestic consumer attitudes and expectations towards smart billing. Relevant and available research is limited, even if billing constitutes arguably the most fundamental area of interaction between consumers and their supplier. It is essential to ensure that the consumer voice informs any arrangements we consider.

*Delivery models*

3.14. Several options exist for the model which can help to deliver the smart billing objectives. As highlighted in our consultation document, current billing arrangements are largely based on voluntary initiatives such as Energy UK's Code of Practice for Accurate Bills<sup>11</sup>.

3.15. Energy UK already indicated that they plan to review the existing Code of Practice to help ensure customers realise the benefits of smart metering, noting that 'they will endeavour to ensure the review explores and addresses, where appropriate, the work programme's highlighted objectives'<sup>12</sup>. As noted in our consultation document, earlier work under the Change of Supplier project also already considered that new billing standards on the timing of the opening and closing bills and repayment of credit balances should be addressed through industry self-governance. This would also build on the Energy UK Code of Practice for Accurate Bills.

3.16. We will stay close to any progress made by Energy UK, and are open to the possibility of the Code of Practice for domestic consumers, or the Voluntary

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<sup>11</sup> <http://www.energy-uk.org.uk/publication/finish/43-code-of-practice-for-accurate-bills/411-the-code-of-practice-for-accurate-bills.html>

<sup>12</sup> <https://www.ofgem.gov.uk/ofgem-publications/89639/energyukresponse.pdf>

Standards for Backbilling of Micro-businesses<sup>13</sup>, being the main models for helping to deliver our smart billing objectives. However, we are also aware that a range of views exists on the appropriateness and effectiveness of these models. One respondent to our consultation document, for example, suggested that the Code of Practice does not as yet 'reflect the higher standards of service that should become the norm'. This respondent also called for the immediate introduction of a new Licence Condition to end back-billing for microbusinesses and domestic consumers.

3.17. There are other delivery models beyond a voluntary code or licence conditions, for example where the two are combined. The Smart Metering Installation Code of Practice is an example of an industry code underpinned by Licence Conditions.

3.18. In parallel to defining the smart billing expectations and requirements, we therefore intend to gather stakeholder views on the appropriateness and effectiveness of the existing models, and on alternatives which we could consider. It is important that we take into account the different perspectives on an area which significantly affects all consumers. Depending on the findings from this initial stakeholder engagement we expect to formulate our views on a preferred model for helping to deliver our smart billing objectives.

3.19. We will consult both on our expectations and requirements, and on the appropriate delivery model. Our ambition is then to have any arrangements in place by the end of 2015, the scheduled date for Initial Live Operations. Our ability to achieve this will depend in part on the delivery model chosen. For some options, such as a Code of Practice underpinned by License Conditions, the timelines would extend into early 2016 given the minimum time requirements for introducing Licence Conditions.

## **RMR for time-of-use tariffs**

3.20. Figure 5 below shows our workplan for the RMR and time-of-use tariffs work area. The initial phase of work will consider the application of the RMR reforms to time-of-use tariffs.

3.21. Our consultation stated that we would not address micro businesses in this focus area. No stakeholders disagreed with this approach. The particular RMR reforms under consideration, such as the TCR and the Tariff Information Label, are relevant for domestic consumers only.

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<sup>13</sup> <http://www.energy-uk.org.uk/publication/finish/154-micro-business/967-voluntary-standards-for-back-billing-of-micro-business-energy-customers-november-2013.html>

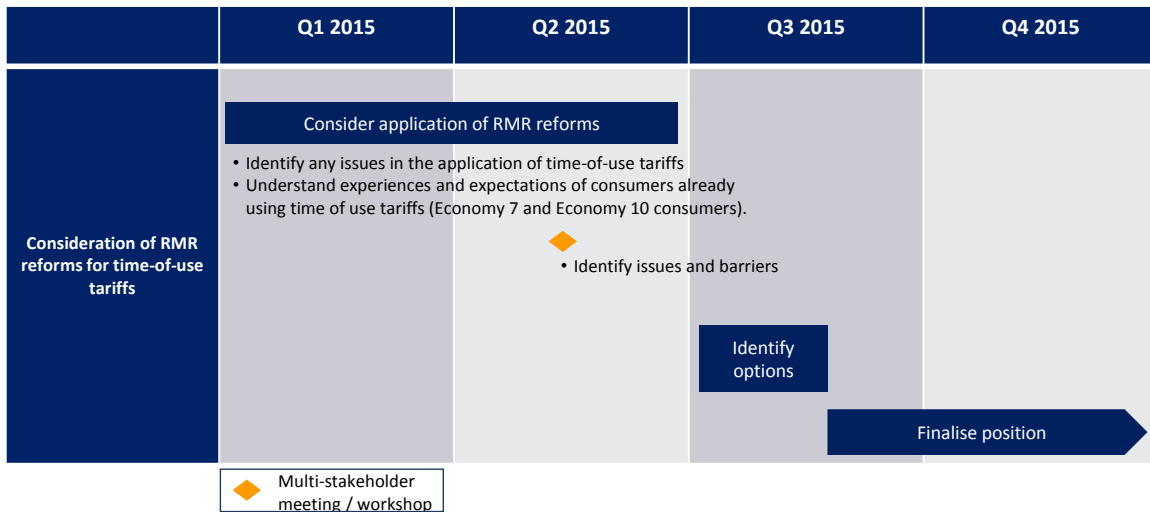


Figure 5 – Indicative workplan for RMR for time-of-use tariffs

3.22. Given that the specific RMR reforms under consideration were primarily designed for single rate tariffs, we will consider each in turn and identify any issues in their application for time-of-use tariffs, which have multiple rates. This will allow us to assess whether, in their current form, they meet the objectives of the RMR interventions. This will require industry participation in order to identify and assess any issues and barriers. We recognise, for example, the complexity of making assumptions on consumption patterns and accounting for potential behaviour change.

3.23. In doing so, we will consider the experiences of those consumers already using time-of-use tariffs, such as Economy 7 and 10, to help us better understand what comparison tools they find helpful, or would find helpful.

3.24. We anticipate that the instruments may need to be adapted so they give relevant and clear information to help customers make decisions on how to meet their energy needs. It may also be the case that alternative solutions or enhancements might be necessary.

3.25. We intend to initiate this work by January 2015, with a view to finalising our position by the end of 2015.

3.26. We will also consider any barriers to time-of-use offerings as a result of RMR reforms. As part of the Smarter Markets DSR project, we are currently examining Ofgem’s policies, including RMR, with a view to identifying the interactions with different DSR mechanisms. This includes time-of-use tariffs. This process will help us to identify the ways in which existing policy could facilitate or inhibit DSR offerings, as well as allowing us to identify policy gaps.

## Micro-businesses

3.27. We proposed in our consultation document that smart billing and smart prepayment are both areas of relevance to micro-businesses. We also suggested that this was not the case for RMR for time-of-use tariffs. No respondents disagreed.

3.28. We will consider micro-businesses in the context of both smart prepayment and smart billing, although our approach will be somewhat different for the two. For both work areas, we will address microbusinesses in parallel to domestic consumers. For smart prepayment, we will also consider microbusinesses as part of our engagement on domestic consumers. For smart billing, however, we will treat micro-businesses separately.

3.29. The objectives we have set out apply equally to domestic consumers and micro-businesses, but in a micro-businesses context the starting points are very different. Traditional prepayment is not as prevalent in the micro-business segment, but we recognise that its use may increase with smart meters. Current prepayment regulations also apply mainly to domestic suppliers. We therefore think it would be most effective to consider micro-businesses as part of our engagement on domestic consumers, to help us understand if the relevance and applicability of arrangements extends to both segments. Alternatively, it can help us understand where the arrangements can and should be different.

3.30. Billing arrangements are in place for both micro-businesses and domestic consumers. Although similar in terms of being largely self-regulatory, the specific platforms differ. There exists a Code of Practice for Accurate Bills for domestic consumers; for micro-businesses there are the Voluntary Standards for micro-business backbilling. The issues associated with each also differ. We therefore consider it both appropriate and prudent to engage separately on micro-businesses, even if our objectives and overall approach remain the same.

## Consumer vulnerability

3.31. In our consultation document we indicated that we will incorporate and apply our consumer vulnerability strategy across all work areas of the Consumer Empowerment and Protection project. We said that we will consider whether smart metering could help identify consumers in vulnerable situations, create or exacerbate vulnerable situations, or empower consumers to avoid or move out of vulnerable situations. We want to have open conversations with stakeholders on how these questions apply to our work areas, and will dedicate time to this in multi-stakeholder and bilateral meetings.

3.32. For the smart prepayment work, an obvious area of consumer vulnerability is self-disconnection. We formulated an objective specifically on this. Self-disconnection is also a focus for us in the context of traditional prepayment, and work on this will include a self-disconnection workshop in the coming months. Our intention is to include smart as an agenda item to start considering the possibilities.

## Stakeholder engagement

3.33. We want this work to be an inclusive process involving industry and consumer representatives, including large and small suppliers both for domestic and non-domestic consumers. We will engage through multi-stakeholder and bilateral meetings as appropriate and relevant. We will invite those stakeholders who responded to our original consultation and others we believe may have an interest in participating. We also welcome expressions of interest from others. Similarly, we will proactively suggest various bilateral meetings and are open to requests for these.

3.34. To maximise efficient use of stakeholders' time we will try, where possible, to coincide or align meeting dates for the smart billing and smart prepayment work.

3.35. Some suppliers requested early insight, where possible, into any information requests we may issue. We currently do not intend to issue any information requests, noting that a smart billing information request was recently issued by Citizens Advice. We do not want to place undue and duplicative burdens on suppliers, and will look to use the responses submitted for the Citizens Advice information request (unless respondents specifically asked for the information not to be shared with us<sup>14</sup>).

3.36. However, notwithstanding the above, we do not rule out issuing information requests as our work progresses. In that case we will aim to give reasonable advance warning.

## Forward monitoring in phase 1

3.37. We have noted that we will remain flexible on work areas beyond Phase 1, which are in part dependent on market developments. To ensure the areas remain relevant and the phasing appropriate, and to prepare the groundwork for this future work, we will put in place some specific monitoring activities.

3.38. This applies specifically to the work areas of 'emerging tariffs' and 'provision of consumption information and data'. Our aim is to remain up-to-date on the various offerings being introduced into the market, so we build a useful evidence base for the phase 2 work. This will rely to some extent on existing monitoring arrangements, and may include conversations with suppliers and third parties on products and services. It will not extend to the point of putting in place any additional reporting obligations. Our intention is not to create burdens, but simply to stay well-informed in advance of planned future work.

3.39. In this context we want to acknowledge the concerns of one respondent, who noted that lack of mandated DCC use by energy suppliers in the non-domestic sector

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<sup>14</sup> A specific question was included on this.

has potential implications about the impartiality of energy efficiency advice offered as well as costs of accessing such data. The respondent requested that special arrangements need to be made to ensure 3rd party access to a firm's data should the supplier not be opted in to the DCC. For micro-businesses and domestic consumers alike we want to see how the market develops through phase 1 of our work, but we will take these specific concerns into account as we structure our monitoring activities. We agree that appropriate access to data needs to be provided.

## Additional work interactions

3.40. In our consultation document we referred to a number of interactions and dependencies we identified for the project. These remain valid. We list below a number of additional and immediate interactions which were highlighted by respondents.

a) Work stream 6 of DECC/Ofgem Smart Grids Forum (SGF)

3.41. Important interactions exist between Work stream 6<sup>15</sup> of the SGF and the Consumer Empowerment and Protection project. Work stream 6 is investigating options for how consumers can engage with a smart grid in order to manage their usage and therefore avoid or reduce network reinforcement. For each option, the group proposes to assess how roles and relationships between industry parties may need to change.

3.42. We are engaging on this by attending regular meetings, including the Workstream 6 Consumer Sub-Group, and will continue to do so. As noted above, the work of this group can feed into our phase 2 work area on Advanced DSR.

b) European Energy Efficiency Directive (EED)

3.43. We already noted the EED in our consultation, but it was highlighted by several respondents. As part of our smart billing work in phase 1 we will have regard to the relevant transpositions of this directive which includes articles on metering and billing.

c) Ofgem's consumer vulnerability strategy - Debt Assignment Protocol (DAP)

3.44. The Debt Assignment Protocol (DAP) is the industry process for transferring debt where a PPM customer seeks to switch. It allows indebted PPM customers to potentially switch to a cheaper deal, carrying the debt with them when they switch and repaying it to their new supplier.

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<sup>15</sup> Work stream 6 is a working group of the Smart Grid Forum (SGF). It is chaired by Ofgem and comprises representatives from various industry stakeholders. The group investigates the commercial and regulatory challenges of implementing a smart grid in Great Britain.

3.45. We reviewed the DAP in 2012 and found that very few switch attempts resulted in a completed switch, customers were unaware of the DAP, and the limit for switching (£200) was not commensurate with average debt levels. As a result suppliers committed to increase awareness, increase the switch limit voluntarily to allow transfers of up to £500, and to improve the DAP process.

3.46. We have recently carried out another review of the DAP. We have identified a number of issues with the way that the DAP works, and found that the number of indebted PPM customers completing a switch remains low. This issue was highlighted by one of the respondents to our consultation. This respondent also suggested this needs to be considered in the smart context.

3.47. We intend publishing the findings of our latest DAP review shortly. Work on the DAP will therefore remain outside of the direct scope of the Consumer Empowerment & Protection project. We will ensure, however, that any relevant findings from our smart prepayment work feed into the DAP review.

d) Objections

3.48. In our recent consultation<sup>16</sup> on reliable next day switching we indicated that we will kick-off a review of the ability of suppliers to block consumer switches (an 'objection') on certain grounds, for example where there is outstanding debt.

3.49. When the work on this review starts, we will consider the relevant interactions with the Consumer Empowerment and Protection project.

e) Traditional prepayment and self-disconnection

3.50. While we recognise that smart meters can transform the prepayment experience for many consumers, some detrimental issues still need to be addressed for current prepayment consumers. Other issues may not be specific to the metering technology itself.

3.51. We therefore continue to work on prepayment issues in the context of traditional meters. A separate project under our Consumer Vulnerability Strategy will focus on a number of prepayment areas including around monitoring and preventing self-disconnection, communicating existing customer protections, and facilitating switching between payment method and supplier. A workshop on self-disconnection is currently being planned, which will consider how we can best use traditional and smart meter functionality and data to prevent debt build up, and identify and support consumers in financial difficulties more effectively. This constitutes a key area of

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<sup>16</sup> <https://www.ofgem.gov.uk/ofgem-publications/88156/fastandreliableswitchingcondocfinal.pdf>



## Consumer Empowerment and Protection in Smarter Markets: Updated Work Programme

interaction between the two projects. We will ensure relevant insights and learnings are communicated between the projects.



## 4. Next steps

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4.1. Our plan has been detailed in Chapter 3 above. In terms of immediate next steps, we will use the coming weeks to organise our first multi-stakeholder events and get bilateral meetings set up. As noted above, we welcome any requests for attending multi-stakeholder meetings or organising bilaterals.

4.2. We will start our engagement for both smart prepayment and smart billing with multi-stakeholder meetings.

4.3. We will also conduct our consumer research for the smart billing work area as an immediate next step.

## Appendices

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## Appendix 1 – List of respondents

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Our consultation on the Consumer Empowerment and Protection work programme ran from 16 December 2013 to 14 February 2014.

We received 18 responses, one of which was confidential. Respondents included large and small suppliers, network companies, central bodies, and consumer and industry groups.

The non-confidential responses have been published on our website<sup>17</sup>.

### List of non-confidential respondents

No.	Respondent
1	British Gas
2	EDF
3	Eon
4	Scottish Power
5	Npower
6	First Utility
7	The Cooperative Energy
8	Smart Meter Central Delivery Body
9	Consumer Futures
10	Which?
11	Federation of Small Businesses
12	Energy UK
13	BEAMA
14	SmartGrid GB
15	Northern Powergrid
16	ElectraLink
17	Information Commissioner's Office

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<sup>17</sup> <https://www.ofgem.gov.uk/publications-and-updates/consumer-empowerment-and-protection-smarter-markets>

## Appendix 2 – Glossary

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### A

#### Advanced meter

The electricity and gas supply licence defines an advanced meter as one that must be capable of recording half-hour consumption data and of providing suppliers with remote access to this data.

### D

#### Data Communications Company (DCC)

The Data and Communications Company (DCC) is a central communications body appointed to provide the communications and data transfer and management required to support smart metering. It is responsible for linking smart meters in homes and small businesses with the systems of energy suppliers, network operators and other companies. The DCC will develop and deliver data and communications services for smart meters through its external providers. In the short term, DCC is responsible for ensuring that the shared infrastructure is in place to allow timely delivery of those services.

#### Demand Side Response (DSR)

Actions by consumers to change the amount of electricity they take off the grid at particular times in response to a signal.

### E

#### Economy 7 / Economy 10

A type of tariff that has different unit rates for consumption during the day and during the night. The number following 'Economy' refers to the number of hours for which night-time rates are available.

### O

#### Objections

The objections process allows an energy supplier to prevent a customer from switching to another supplier.

## Ofgem

The Office of Gas and Electricity Markets (Ofgem) is responsible for protecting gas and electricity consumers in Great Britain. It does this by promoting competition, wherever appropriate, and regulating the monopoly companies that run the gas and electricity networks. Ofgem is governed by the Gas and Electricity Markets Authority.

## P

### Prepayment meter (PPM)

A prepayment meter is a type of meter that allows consumers to pay as they go for their energy. Consumers pay for their energy using a token, key or card.

## R

### Retail Market Review

The Retail Market Review was an Ofgem project with the aims of making the retail energy market work better at serving the interests of consumers and enabling individual consumers to get a better deal from energy suppliers.

## S

### Smart meter

A meter which, in addition to traditional metering functionality (measuring and registering the amount of energy that passes through it), is capable of providing additional functionality, for example two way communication allowing it to transmit meter reads and receive data remotely. It must also comply with the technical specification set out by the government.

### Smarter Markets Programme

The Smarter Markets Programme is Ofgem's way of coordinating our work to use the opportunity that smart metering presents to make retail energy markets work better for consumers.

## T

### Tariff Comparison Rate (TCR)

A metric that would allow consumers to compare the price of energy tariffs on a like-for-like basis using a typical consumption figure.

### Tariff Information Label (TIL)

A table of key facts that would allow consumers to compare the price and non-price features of energy tariffs on a like-for-like basis.



### Time-of-use (ToU) tariffs

Energy tariffs that charge different prices at different times of the day, week, month or year.

## Appendix 3 – Feedback Questionnaire

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1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Please add any further comments?

1.2. Please send your comments to:

**Andrew MacFaul**  
Consultation Co-ordinator  
Ofgem  
9 Millbank  
London  
SW1P 3GE  
andrew.macfaul@ofgem.gov.uk