

Consumer empowerment and protection in smarter markets

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Introduction

Consumer Futures welcomes the opportunity to respond to this consultation on Consumer empowerment and protection in smarter markets.

We strongly support the proposed work areas and in particular welcome the focus on micro-business customers and the recognition of the potential risks and new vulnerabilities that may result from technological and market changes.

That said, we have identified significant gaps in the proposed objectives, which we hope will be addressed as part of this consultation and in the more detailed work plan as it develops. While we are broadly happy with the phasing outlined, we urge the regulator to bring forward work on data access and protections, debt prevention and management tools, and to take prompt action to end back billing once a smart meter has been installed.

We also continue to have concerns that customers, especially micro-businesses may face barriers to switching, including after the start of mass rollout when the Data Communications Company (DCC) is operational. It is also concerning that there is no mention of Ofgem's role in relation to delivering cost savings and value for money. In particular ensuring that rollout is efficient and that savings are passed on to consumers. We further recommend that Ofgem considers how it can help to minimise customer detriment in the case of non-standard installations.

We are pleased that Ofgem is alive to the need to be flexible in its approach, and understands the strong inter-connections between all of the work areas.

The proactive approach adopted, which seeks to anticipate and prevent detriment before it occurs, is to be praised. While we recognise the blurred lines between the Department of Energy and Climate Change (DECC) and Ofgem on this complex Smart Metering Programme, Ofgem has an essential leadership role to play in ensuring that customers are protected and can access the benefits of rollout and smarter markets.

We would urge Ofgem to be realistic about what competition will and won't naturally deliver for customers in a smart world, particularly during the foundation stage. While we appreciate that the UK Government is seeking to streamline and reduce regulation, we strongly suspect that industry may require carrots and sticks to deliver the full range of benefits to customers. This is particularly the case for smart prepay, ending back billing, and offering data services which might benefit low income customers and those in vulnerable situations.

Timely action will be needed – in many areas a 'wait and see' approach is not appropriate. We would urge the regulator to not only respond to market developments but also to outline and drive forward a clear vision for an effective smarter market that seeks to raise the bar in terms of customer service, offers and protections. A measure of a civilised society is how well it treats its poorest and most

vulnerable customers. We would welcome working with Ofgem on the creation of a smart vision to tackle vulnerability and affordability. In particular exploring the potential to use new functionality to end disconnection for electricity customers, the viability of a Citizens Energy Allowance where all customers have a basic amount of energy for free, and using data more effectively to target help at those in need of additional assistance. Our response is outlined below.

Responses to specific questions

Question 1: Do you agree with the proposed approach to micro-businesses?

We strongly welcome the focus on micro-businesses and the recognition that this segment's needs are often more comparable with domestic customers than larger businesses.

We support the proposed approach to embed the needs of micro-businesses within each work programme, rather than develop a separate stream of work. We expect that in many areas, such as billing and remote functionality, that it may be appropriate to adopt similar protections. The proposed approach facilitates this and should minimise the risk of domestic households on a shared business supply for example tenants above a shop or pub, or park home tenants, falling between the gaps in regulation.

As a rule Consumer Futures advocates that, where the risks are comparable, micro-business customers with non-compliant smart type meters, including advanced meters, should be covered by the same protections as those who have SMETS compliant meters. However, we recognise that there may, in some instances, be technical barriers to delivery of benefits given the limited functionality. In these instances Ofgem will need to explore if alternative approaches can be adopted to achieve the same or similar outcomes so customers with substandard meters do not miss out.

Question 2: Do you agree with the focus areas we identified?

Question 3: Do you agree with the Objectives set out?

We agree with the focus areas identified and make the following additional points.

Prepayment

Consumer Futures strongly welcomes Ofgem's focus on smart prepayment and in particular the commitment to support delivery early on in the rollout. This is necessary because:

- As mentioned, a significant minority of consumers use prepayment meters (PPMs) (14-16 per cent) and this number is expected to grow with the rollout of new technology and changes to the benefits system. Our research with Accenture *Smart Metering Prepayment in Great*

Britain suggests that it is not unrealistic that up to a third of consumers will be on some kind of prepay offering once smart meters have been rolled out.¹

- While not all PPM users in GB are from vulnerable groups, they remain disproportionately on low incomes, compared to those using other payment methods. Ofgem has particular responsibilities with regards to consumers in vulnerable situations. Our 2010 PPM research found that while annual household income varies across PPM users, that almost one-quarter (23 per cent) had an annual income of less than £9,500 and 60 per cent had a household income of less than £17,500. One-half (51 per cent) were receiving some kind of means tested or disability benefit and more than one-third of PPM households were home to one or more individuals with a long-term physical or mental health condition or disability (for example asthma, mobility issues, impairment or arthritis).²
- There is a significant opportunity to address many of the historic problems faced by PPM users and to improve customer service. For example by the delivery of:
 - More competitively priced tariffs
 - Easier and quicker resolution of problems using remote technology
 - Greater choice and more convenient methods to top up
 - An end to problems caused by payment devices
 - A reduction in misdirected and unallocated payments
 - A reduction in barriers to switching between payment methods
 - New ways to engage prepay customers
 - New ways to prevent and support customers who are under-heating or self-disconnecting.

Ofgem has an important role in ensuring that these opportunities are not missed.³

- While it is hoped that the competitive market will deliver many of the benefits of smart prepay to customers, in practice, historically energy companies have been slow to innovate in this area. Ofgem should be prepared to kick start delivery, especially where there is little commercial incentive for suppliers to take action. For example, it took several years for all of the big six suppliers to offer electricity friendly credit to their prepayment customers despite the functionality being readily available. We hope we will not face equal challenges with the rollout of smart gas non-disconnect periods. Some suppliers are already indicating a lack of willingness to explore the potential for new

¹ <http://bit.ly/10aHf9s>

² <http://bit.ly/z2Cc8V>

³ <http://bit.ly/10aHf9s>

functionality and access to data to help customers who are self-disconnecting. Ofgem will also need to ensure that as competition develops that it doesn't result in a two-tier market with innovative services only available to more able to pay segments.

- It is particularly important that prepay customers access the wider benefits that smart metering can bring, as early as possible, as they are less likely to achieve the same energy savings as those on other payment methods. However, they will still be expected to contribute to the cost of smart deployment through increased energy bills. DECC's Smart Metering Impact Assessment for example, indicates that gas PPM customers will achieve average savings of 0.5 per cent compared to 2 per cent for gas credit customers.⁴
- As mentioned there are potential new points of failure and risks associated with remote functionality and new smart prepay systems which have yet to be addressed. In particular, Ofgem will need to work closely with DECC to ensure that there are free and easy ways for all customers to remain on supply in the case of a failed vend or rejected payment. We have some concerns about the solutions which have been proposed to date. These include, in the case of a failed vend, customers calling their supplier on a number that may not be free from mobiles nor available 24 hours. Similarly we don't think it appropriate for all customers to have to input in excess of a 20 digit code into a poorly designed meter in the case of a failed vend or tariff update, especially if they have poor eyesight or dexterity problems. Ofgem may have to strengthen Guidance on what is 'safe and reasonably practicable' for a PPM customer. There is also a role for Ofgem in identifying and sharing best practice and importantly setting expectations for suppliers as they develop new propositions.
- In the long run smart metering could stimulate greater competition, choice and innovation in this sector, developing a genuine pay as you go energy market that could lead to a downward pressure on price and increase uptake beyond existing customer demographics. This could help to erode the stigma associated with what has historically been seen as a payment method of last resort. In our April 2012 survey, 15 per cent of customers who didn't use prepay energy said they would be very or quite interested in pay as you go energy if the price was competitive with Direct Debit.⁵ A further 26 per cent were undecided. Potential interest spanned all incomes, age and payment groups. In our 2010 survey, 22 per cent of customers said they would be interested in a pay as you go energy tariff (as with mobile phones) if

⁴ <http://bit.ly/MvKN7s>

⁵ Face to face omnibus survey carried out by GfK NOP on behalf of Consumer Focus. GfK spoke to 1,959 adults from 29 March to 3 April 2012. Question asked: How interested would you be in pay as you go energy if the price was competitive (that is the same price as paying by Direct Debit)

the price was competitive as Direct Debit and you could top up easily, with 32 per cent unsure.⁶

- As recognised, the nature of prepayment is likely to fundamentally change with the advent of prepay ready smart meters and access to more detailed data. Ofgem is right to be alive to the challenges associated with this. The expected use of managed credit by suppliers will result in customers using a combination of credit and prepayment and industry setting energy credit levels based on credit scoring or perceived ability to pay. Ofgem will need to carefully monitor how this develops, given that all customers could be increasingly exposed to self-disconnection, and review protections accordingly. There are no doubt lessons to be learnt from the financial services sector's treatment of overdraft limits. The regulator will need to ensure that sharp practices don't develop for example switching customers to a more expensive tariff rate once a credit limit is reached or fining customers if they go over agreed limits. It is likely that when a credit limit is reached that some suppliers may seek to switch the customer to prepay mode or onto load limiting.
- As mentioned, while the Spring Package has put in place welcome protections, these existing arrangements have not yet been fully tested, in particular around load limiting and what is deemed to be a 'significantly constrained' load.

Prepayment objectives

We are working on the assumption that the objectives refer to both domestic and micro-business customers. While we fully support the aims outlined we also believe there are some noticeable gaps around costs, equity and remote functionality.

As a general point, Consumer Futures would welcome further detail on how success will be measured. We also encourage Ofgem to ensure their objectives align with DECC's smart prepay guiding principles and road map for delivery. We will take each in turn:

1. Prepayment as a clear, convenient and attractive proposition for consumers – this is a useful objective.

- 'Clear' will need to cover the way in which prepay tariffs are marketed and sold, in particular as managed credit develops and new prepay offers in the non domestic market emerge.
- 'Clear' should include improvements in suppliers' communications and the design of kit. Our research found that domestic customers often didn't know:
 - how to use prepayment

⁶ Online survey carried out by ICM Research. 19-21 March 2010. Base of 1,847 bill payers.

- what their standing charges are or how they were deducted
- what happens with emergency credit and how it works in practice
- (where applicable) how much debt is being paid off and how much they still owe.

Reports and in-depth interviews from our Extra Help Unit revealed a lack of formal instruction or information from energy suppliers about how to manage and operate PPMs. Customers say they are not being advised on best practice to avoid cycles of self disconnection. There are significant improvements that are needed in this area. Smart metering provides new opportunities to interact with prepay customers.

- There is a particular challenge for suppliers in educating existing PPM customers in how the new smart system will work, especially in the case of failed vends or failed or delayed top-ups. A proper demonstration of the prepay system takes additional time –there is a real risk that installers will cut corners on this given the time constraints of rollout.
- Clause 3.6.2 of the Smart Metering Installation Code of Practice (SMICOP) requires ‘where a Smart Metering System is to be operated in Prepayment mode, the Customer is provided with a demonstration of the Prepayment functions – including, where appropriate, tariff detail, debt screens, releasing emergency credit and re-enabling supply, and guidance (with demonstration where possible) on getting credit and the topping up process’.⁷ This is welcome. Unfortunately, it probably won’t be strong enough to help address this problem. Anecdotally it has been reported that the Wider Area Network (WAN) may not be available in up to 50 per cent of installations. The ‘where possible’ caveat in the Clause means there is a risk that a significant proportion of customers won’t receive a proper demonstration of the system.
- ‘*Convenient*’ will need to cover ensuring that customers have a choice of top-up methods such as being able to top up via phone, online or by text. While not all of these top-up options will be necessarily be offered by all suppliers, cash will need to continue to be retained as per the Spring Package. Such functionality should provide greater choice and convenience, and help to prevent accidental self-disconnection that can result when householders are unable to get to a payment outlet or access cash.

⁷<http://bit.ly/XgjeS0>

- ‘Convenient’ will also need to cover ensuring that the customer journey – complaint handling and redress must be easy and clear when things go wrong for example in the case of failed vends, or delayed top-ups. Suppliers have suggested that with smart prepay and remote top-ups that a customer would not necessarily need convenient access to their meter for it to be safe and reasonably practicable to use. We are sceptical of this given problems with remote communications and the fact that alternatives are not yet proven to be reliable. Ofgem will need to ensure that robust and proven processes are in place before relaxing protections.
- *Attractive proposition for consumers* – we understand the aspiration here but this needs further qualification – perhaps ‘attractive proposition for a wider demographic of consumers’? Prepayment is arguably already a valued payment method by those that use it. Our 2012 survey found that 81 per cent of customers using prepayment were either very or quite satisfied with it. In particular they liked the control that prepayment offers, helping them to budget and reducing the worry about receiving bills that could push them into debt.⁸ That said, the majority of PPMs are still installed because of debt (more than 1,700 every working day), inherited when a customer moves in, or installed by the landlord.⁹ We would welcome prepay being an attractive proposition such that it is a genuine choice for more people. But we have some nervousness about actively trying to attract customers onto a payment method where they can so readily self disconnect. Ofgem will need to ensure that significant safeguards are in place to prevent disconnection.

2. Safe, easy and proportionate switching between prepayment and credit
– this is particularly welcome.

- Customers should be able to switch payment method without the cost and inconvenience of a meter exchange. And without having to pay for additional technology such as a specially designed in-home display (IHD) or hard-wired devices.
- There will arguably be less justification for suppliers to charge a security deposit on change of payment method, especially as suppliers are able to monitor detailed energy consumption data and prevent debt build up. Ofgem will need to ensure that any remaining charges which can act as a barrier to switching are fair and proportionate.

⁸ Face to face omnibus survey carried out by GfK NOP on behalf of Consumer Focus. GfK spoke to 299 customers who had a PPM between 29 March to 3 April 2012

⁹ <http://bit.ly/10aHf9s>

- Ofgem has introduced new protections in the Spring Package around remote switching to prepayment for domestic customers which we fully support, but it will be important to ensure that customers are switching away from prepay as well as to this payment method. Also that that the switches take place in both directions in a timely fashion.
 - Ofgem has introduced new protections around disconnection made in error and reconnection speeds which are welcome, but customers need proportionate compensation for disconnection in error.
 - We query if there is some way to capture an element of customer choice or fair treatment in this Objective.
- 3. *Consumers protected from top-up failures*** – this is critical. But we suggest there is also an objective around service reliability generally.
- Top-up failures could occur due to customer error, for example the customer inputs the wrong number/swipes an old card. Or due to industry/system issues. In both scenarios it must be a free, quick, simple and easy process for the customer to get back on supply. Smart prepay will depend on remote functionality and failure could occur for a number of reasons. For example, maintenance and upgrades, bad weather, peaks in demand, power cuts or the communications hub breaking. It is important that the customer is not left without power or heat. Where customers top up in the shop they might not realise their purchase has failed until they get home and they receive a low credit warning or go off supply.
 - There is an important role for Ofgem in working with DECC and industry on mapping the potential scenarios and customer journeys, and managing the risks, particularly during the transition from the foundation stage to mass rollout and the adoption of meters by the Data Communications Company (DCC).
 - Ofgem should also consider setting smart Guaranteed Standards around prepayment to ensure that customers do not face any decline in service for example delays in top-up times. In this way any penalty payments made to suppliers by the Communications Service Providers (CSPs) resulting from missed performance targets will be passed onto customers who suffered the inconvenience and detriment.
- 4. *Robust understanding of self-disconnections and considered use of this information to support customers*** – we fully support this for domestic and micro-business customers. Consumer Futures will shortly publish a report on self-disconnection and are happy to share the detailed results with Ofgem.

- Our 2010 report found that 16 per cent of PPM users surveyed had disconnected at least once in the previous 12 months. The main reasons identified for self-disconnection were: not realising the credit was low; forgetting to top up the meter in time; insufficient money to top up.¹⁰
- We strongly encourage the regulator to explore how new innovations and greater access to data could help prevent disconnection and target support at those who are regularly self-disconnecting or under-heating their homes.
- Under the current Guidance suppliers have to “where technically feasible, monitor whether the customer is self-disconnecting, and where it is identified that the customer is self-disconnecting, make multiple attempts to contact the customer by various means and at various times of day to understand the reason for this.” However, they are not required to take steps to actively help customers who are self-disconnecting due to financial difficulty unlike in other countries.¹¹ Our forthcoming report will explore what help suppliers are offering at present and identify if more can be done.
- We would encourage Ofgem to investigate what monitoring, if any, suppliers currently undertake, and to review what is appropriate and ‘technically feasible’ with the rollout of smart technologies.
- Similarly Ofgem should explore if load limiting capability could be used in a positive way to give electricity customers a life-line of electricity as an alternative to complete disconnection for prepay customers.
- Given that energy is an essential service needed for health and wellbeing, we would welcome the regulator exploring the potential for a Citizens Energy Allowance, where all customers could have a basic amount of electricity and gas for free –potentially ending or substantially reducing disconnection including for prepay customers.

5. Available smart prepayment functionalities actively used to support consumer budget management and debt prevention – this would be welcome. Though the low credit alerts cited are arguably less about consumer budgeting and more about managing energy use and preventing self-disconnection.

¹⁰ <http://bit.ly/z2Cc8V>

¹¹ We understand that in, the Australian state of, Tasmania suppliers are required to contact customers who self-disconnect three or more times in a three month period and for at least 240 minutes on each occasion. Suppliers have to offer these customers advice on alternative payment options, government assistance schemes, and (where the customer has consented) make referrals to the scheme.

6. ***Optimal emergency and friendly credit arrangements*** – we fully support this as an area for Ofgem to investigate but think there should be a higher level objective around exploring functionalities and services which can prevent self-disconnection, of which this is one.
7. ***Prepayment meter customers switching easily between suppliers with accurate and timely credit transfers or refunds*** – we welcome this particularly given the challenges that PPM customers face during Foundation.¹² While we hope these will be resolved following ‘Go-Live’ we have little faith that this is on track to be delivered.
 - We believe that in the long-run the aim should be not only easier switching, but also faster (24 hour) switching.
 - Ofgem will need to proactively monitor the effectiveness of new switching licence conditions – particularly ensuring that domestic customers are making informed decisions about whether to accept a smart prepay meter before full interoperability is in place.

Proposed new objectives

Customers should be protected from remote functionality

This includes not just keeping under review the existing protections for domestic consumers as they start to be tested more fully, but also a strengthening the safeguards for small businesses including those domestic households on shared or business supply.

Some suppliers are already using remote disconnection with micro-businesses and there are insufficient safeguards in place. As noted, there is a gap in understanding how smart prepay will develop for micro-businesses but Ofgem needs to set expectations in this area. We know that some suppliers (especially smaller ones) are already implementing it and British Gas is starting to trial load limiting. At present, by using remote functionality suppliers can disconnect or switch a business to prepay without carrying out a site visit or gaining a court order. There is a risk that disconnection will increase as the cost and inconvenience of these two processes can act as a natural disincentive on suppliers to take action. The site visit is also an important opportunity to check for vulnerability; to see if there are any environmental health consequences from disconnection, and provides a final chance to discuss payment.

Some example calls from CACs:

¹² See Consumer Focus’s consultation response to Ofgem’s effective switching consultation. <http://bit.ly/1e4azFY>

Consumer is a domestic customer living in a flat above a shop sharing a smart meter with the business below and has been disconnected without warning. He always pays on time and paid £150 last month. He has contacted the supplier who has told him that he will have to pay the amount owed by the business plus an additional reconnection fee if he wants power back.

Consumer is £1,800 in debt to supplier and is trying to work out a payment plan. Supplier has installed a smart meter and says they will disconnect him in the next couple of days, consumer lives on premises with his pregnant wife who is due in September. Supplier has refused his payment plan but consumer can't pay it all back at once.

Consumer has had on-going problems and disputes because he was put on off-tariff rates, this resulted in supplier B remotely disconnecting his electricity meter but they couldn't disconnect his gas because it's a different kind of meter. They are coming to disconnect that in the near future – consumer recently had a stroke and is struggling.

Consumer Futures is not against the use of remote functionality per se for small businesses. But we are keen that the cost savings that can be made from use of remote functionality are passed on to businesses. We recognise that some customers may support the use of remote functionality if IT reduces costs and staff time – for example, if a premise is to be unoccupied for a significant period of time. We also see benefits from faster remote reconnection. Ofgem needs to ensure that any charges are cost reflective.

Consumer has a smart meter which has been disconnected, supplier x are telling her it will cost £120 to reconnect it even though they can do it remotely – wants to know why.

Importantly, in terms of debt management we believe that remote disconnection is a sanction that should only be used when all other avenues to recover debt have been exhausted. There needs to be a significant improvement in companies' debt and disconnection processes, and a supplier agreement of what constitutes 'vulnerable'.

We believe it is only appropriate to allow remote disconnection where the:

- consumer has explicitly requested it
- supplier has carried out full correspondence with the consumer including letters, phone calls and emails/texts and the supplier can prove a conversation has taken place about the implications of remote disconnection
- customer has contacted the consumer and can prove there are no domestic customers resident on the premises or environmental health implications associated with the disconnection.

In all cases, before remotely disconnecting, suppliers should ensure that the customer is informed in writing of exactly when the disconnection will take place (that is the exact time and date), what the implications are of this, and what they can do to halt the process. Sufficient warning should also be given – we would suggest at least five working days.

There is also the issue of costs associated with remote disconnection. Currently a non-domestic supplier charges £250 + VAT to remotely disconnect.

There are notable gaps in the identification and treatment of vulnerability during the smart meter installation visit which mean that opportunities to capture customers with additional needs and explain and assess suitability for prepayment could be missed.¹³ Unlike for domestic customers suppliers of micro-business do not have to:

- provide training to installers on vulnerability
- identify and report on vulnerability during the smart meter installation process
- take all reasonable endeavours to minimise the impact on the resident at the site if they have specific needs or are identified as vulnerable¹⁴
- cater for vulnerability when demonstrating the smart metering system.

Importantly, protections for small businesses around remote switching to prepay need to be put in place.

➤ **Prepayment as a lowest cost tariff option accessible to as many customers as possible**

Consumer Futures strongly feels there should be some kind of objective around costs or even, despite the obvious challenges, affordability. Given that prepay is likely to remain the dominant payment method for those on low incomes, Ofgem should aim for a reduction in the relative costs to serve of prepayment, and ensure that it is value for money with savings passed on. Consumer Futures and our predecessors have long argued that the costs to serve for prepayment are not efficient.

We would expect some of the lowest cost tariffs in a smarter market to be pay as you go offers. If all smart meters have prepayment functionality built in, costs to serve should decrease as separate meters and a completely separate infrastructure will no longer be required. In addition there should be savings from increased efficiencies such as a reduction in misdirected and unallocated payments, and a reduction in costs associated with payment devices, and fewer home visits.

However there is a real risk that technological solutions selected by suppliers and the UK Government will increase the costs to serve or that cost savings won't be passed on. For example, by requiring the provision of enhanced in home displays specifically for prepay customers, or the hard wiring of solutions. As noted for an

¹³ <http://bit.ly/XgjeS0>

¹⁴ While there are changes under way to review the Safety Net to cover shared supply situations these are not yet in force and will only apply to EUK members

unknown number of years suppliers will need to support both smart and standard prepayment infrastructure which could also add costs. We have some concerns about the emergence of a two tier system of prepayment with 'more able to pay' customers having access to benefits that those on lower incomes do not.

We welcome the commitment to keep the costs of traditional prepayment under close review as we transition to smart prepayment. As noted, as the number of customers using the old system dwindles there is a risk that costs will increase substantially for the remaining minority. It is particularly important to monitor this, as experience with the transition from coin to card/key meters found that it is often the most vulnerable who are the last to upgrade.

In addition, we understand from DECC, that there may be a minority of customers for whom smart prepay may never be an option due technological barriers. We suggest that Ofgem liaises closely with DECC over the proposed options. It would be particularly unfair for customers who are effectively locked into prepayment to be charged higher rates through no fault of their own. Linked to the latter, Ofgem should consider if there is value in an Objective around 'access'. It is important to ensure that smart prepayment remains an option for as many customers as possible and that all customers can access improvements in customer service and functionality.

➤ **Low income customers and those in vulnerable situations benefit from the rollout of smart prepay**

We propose that there should be some kind of prepay objective around equity. Ofgem should aim to ensure that low income customers and those in positions of vulnerability are not disadvantaged and that steps are taken to improve their experience and prevent self-disconnection and under-heating.

In particular, Ofgem will need to ensure that the cost of different top-up methods falls in a fair and equitable way so that the poorest customers do not end up paying a premium for new top-up methods. The costs of topping up by mobile phone, credit card, debit card, cash and online could differ quite substantially. It is unclear what these costs will be or how they will be passed on. While paying per top-up depending on the method used may be cost reflective, as low income customers tend to top up with smaller amounts more regularly such a move could negatively impact them – resulting in higher energy costs. We strongly recommend that Ofgem sets expectations in this area as soon as possible, before energy companies further develop their prepay offerings.

As noted, there will also be pressure on Ofgem to remove the requirement to keep cash top-ups when remote top-ups become an option. We believe this should be retained, especially for those customers without bank accounts, who are paid in cash or simply want to keep this payment choice. Indeed, despite offering a range of top-up options, Utilita reports that cash top-ups at Paypoint remain the most popular method with customers (70 per cent) with 25 per cent of vends made online or by SMS.

➤ **Improve prepay customer service and where possible solve existing problems faced by prepayment meter customers**

Lastly, we would welcome a commitment from Ofgem to actively seek to tackle and solve the problems that PPM customers face today. Also that as a benchmark they will strive to ensure there will be no decline in service – whether top-up speeds or wider customer service.

Billing accuracy and options

We strongly support the focus on billing accuracy and options, the objectives and proposed phasing. This is rightly a high priority area for Ofgem:

- Estimated and inaccurate bills are the biggest source of consumer complaints. Billing consistently accounts for the vast majority of complaints received by the Energy Ombudsman – above 80 per cent in each of the last three years.¹⁵ Not all billing problems will be solvable with a smart meter, but many should be: inaccurate bills (which made up 14 per cent of the billing complaints in 2012/13), inaccurate meter readings (7 per cent) and back-billing (11 per cent).¹⁶ Cutting out these issues would reduce complaints overall by more than a quarter.
- Billing problems can cause considerable customer detriment. Receiving an unexpected back-bill or ‘shock bill’ in particular can cause real anxiety. In the worst cases it can force people to cut back on essentials such as food or clothes, push them into debt, or onto more expensive payment methods, with resultant additional charges and knock-on effects. For small businesses, large shock bills amounting to thousands of pounds can force them to shut down. Back bills can be for any amount – tens, hundreds or thousands of pounds.
- Accurate bills are expected to be a key consumer benefit of the £10.9 billion smart meter programme.¹⁷ On 8 October 2013 Secretary of State for Energy Ed Davey said smart meters “will provide accurate bills to help them [consumers] better manage their energy use.”¹⁸ But this benefit hasn’t been guaranteed.
- As noted, many benefits from improved billing should be realised immediately and are not reliant on either market innovations or changes in consumer behaviour. Billing accuracy is repeatedly and consistently highlighted as a valued benefit by domestic and micro-business customers in consumer attitudes research.
- The DECC’s official position is that there is “no excuse for suppliers to back-bill once a smart meter is installed” but believes “it is for Ofgem

¹⁵ 88 per cent in 2010/11, 80 per cent in 2011/12 and 88 per cent in 2012/13 (from Ombudsman Services Annual Reports).

¹⁶ Data provided by Energy Ombudsman.

¹⁷ <http://bit.ly/1eMIF0Z>

¹⁸ Column 13WS <http://bit.ly/1gejxCU>

to regulate on that specifically.” It is therefore particularly important that the Regulator focuses on this area.

- Furthermore, as noted, the Energy and Climate Change Committee in its recent report on smart meters said that “Ofgem must be prepared to strengthen the requirements on suppliers to provide accurate bills if there is evidence that consumers are not receiving accurate bills/and or they are getting back-billed months after smart meters are installed.”

Consumer Futures believes that there is sufficient evidence and risk of detriment for Ofgem to take immediate action.

- Calls to Citizens Advice consumer service (CAcs), and its predecessor Consumer Direct highlight that some customers, both domestic and micro-businesses, continue to receive estimated bill, no bills and back-bills for one or more fuels many months after the installation of their smart meter. Example call notes are below (more are available on request):

I was advised to get smart meters installed to avoid estimated bills as I had lost my job and needed to manage my accounts. I received electricity bills but no gas bills. I had only paid £250 since it was installed. Then the company back billed me for £700 which they took directly from my account. This resulted in bank charges and extra charges on other accounts due to unpaid bills.

I have smart meters but the signal is too weak to send readings. This has resulted in an estimated debt of £800 which has turned out to be an actual debt of £14,000. The supplier has requested a £200 payment plan but I can't afford it.

Small business customer has smart meters but has now been told that bills were incorrect and they owe £31,000 – the supplier is blaming inaccurate meter readings. The supplier is refusing to accept a payment plan and want payment now or they will disconnect.

- Consumer Futures’ recent GfK survey found that 15 per cent of domestic consumers with a smart meter installed said they were still receiving estimated bills.¹⁹ This figure excludes those who claimed to have smart meters but actually only had clip-on electricity displays (5 per cent), those who had not received any bills since having the smart

¹⁹ GfK Consumer Research – Q313. Base 12,000 people online, weighted to be representative of the GB population in terms of age, social class, size of household, type of dwelling, household working status and region. But not specifically bill payers.

meter installed (8 percent) and those who did not know if their bills were accurate or estimated (5 percent).

- As well as detriment to individual customers, problems with billing risk undermining confidence in the rollout as a whole. Customers do not expect to receive estimated or inaccurate bills after they have had a smart meter installed. Consumer engagement with smart technology will be essential for customers to access the benefits of smart metering and to keep overall costs down. Action is needed now, not a 'wait and see' approach when it could be too late to restore consumer confidence.
- Our predecessor body, Consumer Focus first raised concerns about smart billing problems with the then Energy Minister Charles Hendry MP in late 2010. He wrote to the Big Six energy companies who reported that problems are primarily caused by outdated back office systems and unreliable communications – when the company pings the smart meter for a reading, they don't always have a signal. More than three years later this continues to be a problem.
- Consumer Futures recognises that there are likely to be teething problems as suppliers set up and trial new systems. But we do not think that the liability for problems should rest with the individual customer. Suppliers are still able to back bill domestic customers for up to 12 months usage, even after a smart meter is installed. The period can be even longer for micro-businesses. Customers do not expect to receive shock-bills after a smart meter is installed, particularly given the £10.9 billion price tag attached to rollout. This is fundamentally unfair.

Existing regulations are not fit for purpose for a smart world:

- Condition 21B.1 in the Standard Conditions of Energy Supply Licence states that 'if a Customer provides a meter reading to the licensee that the licensee considers reasonably accurate, or if the Electricity Meter is read by the licensee, the licensee must take all reasonable steps to reflect the meter reading in the next Bill or statement of account sent to the Customer.' While this applies to both domestic and micro-business customers it does not kick-in if the supplier is unable to get any reading, due to communications failure.
- Under the Operational Licence Condition, we understand that energy companies are required to take 'all reasonable steps' to establish and maintain a connection with the meter to help ensure that a meter read can be taken. This applies to domestic and micro-business customers. But Ofgem has not defined 'reasonable steps'. We are unclear how enforceable this Licence Condition is at present and would welcome further clarification on its application.

- The Code of Practice for Accurate Bills, which was developed and supported by Energy UK with British Gas (including Scottish Gas), EDF Energy, E.ON, RWE npower and ScottishPower does not as yet reflect the higher standards of service that should become the norm. Under the 'Back Billing Rule' in the Code of Practice, domestic customers can be billed for usage which is up to 12 months old even after a smart or advanced type meter is installed. Customers can still be billed for hundreds if not thousands of pounds though no fault of their own.
- There are voluntary arrangements in place for micro-business customers.²⁰ Provided the customer has fulfilled their obligations, customers should not be back-billed for more than three years' use for electricity and four to five years for gas, depending on the time of year the back bill is issued.²¹ This is still an incredibly long period of time. These are explicitly maximum levels with some suppliers operating a maximum one year back billing policy. We see no reason why there should not be comparable safeguards and expectations in place for micro-business and domestic customers in a smart world.
- New Standards of Conduct to safeguard domestic customers were recently introduced into the Licence Conditions, the first being that 'the licensee and any Representative behave and carry out any actions in a fair, honest, transparent, appropriate and professional manner' (condition 25C.4(a)). 'Fair' in this context is defined as avoiding any action that would '(a) significantly favour the interests of the licensee; and (b) give rise to a likelihood of detriment to the Domestic Customer' (condition 25C.3). It would be helpful to understand Ofgem's views on the application of the new Standards of Conduct in the context of smart billing.

The objectives – billing

Re the objectives to: achieve accurate bills; no reliance on estimated meter readings; and no-back bills where the consumer is not at fault we propose a three staged approach:

1. Immediately introduce a new licence condition to end back billing for micro-businesses and domestic customers. Customers should not receive a catch-up bill 90 days after the smart metering system is installed when it is not their fault. We propose 90 days leeway following installation as this would:
 - enable suppliers to back bill for any historic underpayments revealed by the installation
 - give suppliers a full quarterly billing cycle to address any technical problems

²⁰ <http://bit.ly/M9sswj>

²¹ <http://bit.ly/1hs8YBE>

- also, as we understand it, CSPs will need to ensure that all connected properties have general connectivity after 90 days. After this date therefore there should be a reliable communications service.

The liability when things go wrong would then rest with the supplier, not the customer and the customer would be guaranteed one immediate benefit – an end to shock bills – from smart meter rollout. Shifting the financial liability for any underpayment of the energy bill from the customer to the supplier, where they are responsible, would incentivise prompt resolution of problems by energy companies and the appropriate updating and investment in new billing systems.

2. During Foundation Ofgem should secure a prompt commitment from suppliers to take reasonable steps to provide accurate bills to customers where smart meters are installed. For example, we understand that E.ON:
 - manages expectations by notifying consumers that it may be a couple of months after the installation before they get accurate bills
 - makes multiple attempts to remotely read the meter at different times of day/week
 - calls the customer to get a manual meter reading when they haven't managed to get a remote reading
 - has introduced much more frequent physical meter readings for customers with smart meters where there have identified a problem.

This should be standard practice for all suppliers.

3. In Phase 2, once the Data and Communications Company (DCC) and CSPs are operational, Ofgem should introduce a new standard around billing accuracy with customer compensation if customers do not receive regular accurate bills. As we understand it the CSPs and DCC are required to pay penalty fees if performance targets are not met – including for failure to meet service levels for connectivity and successful message delivery. If penalty fees are paid where performance targets are not met, consumers under Guaranteed Standards should also be entitled to financial compensation when service is not delivered. This will be an important safeguard and guarantee of consumer benefits.

We strongly support the objective to provide convenient and effective billing frequency, and payment arrangements. Also, that there should be optimal Direct Debit calculations based on accurate consumption data. These steps should help improve transparency and end the annual cycle of media accusations of suppliers hoarding customers Direct Debit payments at the end of the summer. But Ofgem will need to ensure that suppliers continue to offer fixed rate Direct Debits as an option to help those who like them to help budget over the relatively expensive winter season. With timely and accurate opening bills, final bills and rebates – the standards should reflect the technological capabilities.

In addition we propose an additional objective:

- **In home displays and feedback on energy use should show accurate cost information including an up to date accurate account balance.**

The IHD will provide customers with information on their energy use in pounds and pence, but this will only be an estimated or 'indicative' figure, not an accurate one. This is a missed opportunity.

Face-to-face Omnibus research carried out for Consumer Focus in May 2011 showed that 93 per cent of consumers would be interested in having an accurate account balance on their IHD that showed how much their electricity and gas had cost, and how much they owed their energy supplier, since their last energy bill. This interest was consistent across social classes.²²

In early smart metering trials of the 1980s an up-to-date account balance for electricity consumption was the most accessed function via the IHD. The trial report states that; "There is no doubt that customers appear to have tremendous enthusiasm for such a device, the prime motivation being that of up-to-date information on their indebtedness."²³

Cost is the bottom line for consumers. Focus group research showed that consumers consider there is too much information on bills; all they really wanted to know was how much they owe.²⁴ Consumer Focus research has also shown that 35 per cent of consumers find both gas and electricity bills hard to understand.²⁵ An accurate account balance on the IHD would provide consumers with greater choice of ways in which to immediately and easily access and understand their bill and see how much they owe.

Customers may expect this basic account information from a so-called 'smart' meter and it could cause confusion or problems if the figure on their bill is different from that showing on the energy display. Research carried out by Consumer Focus, DECC and NEA²⁶ looking at the experience of consumers in vulnerable situations with a smart meter, showed that some were assuming that the IHD showed them how much money they were spending on their gas and electricity, and were budgeting accordingly. As the figure on the IHD may not include any debt, Green Deal charge or standing charge it could be significantly lower than their actual bill.

The full arguments to support accurate account information on the IHD are outlined in our Open Letter to DECC of July 2011. This is supported by the Fuel Poverty

²² May 2011 face to face survey of 1,964 adults in Great Britain. Carried out by TNS RI on behalf of Consumer Focus.

²³ Full document available on request.

²⁴ *Informing Choices. Consumer Views on Energy Bills.* Consumer Focus 2010.

²⁵ March 2010 online omnibus survey of 2,048 consumers aged over 18. Conducted by ICM on behalf of Consumer Focus.

²⁶ Consumer Focus and NEA research: *Vulnerable consumers' experience of smart metering installation.* The research was jointly funded by DECC and Consumer Focus, and carried out by NEA and RS Consulting. <http://bit.ly/UUv7qY>

Advisory Group, Age UK and Sustainability First.²⁷

RMR and time of use tariffs

We broadly support the Objectives set out for RMR and time of use tariffs (ToU) in Phase 1: that on the one hand RMR reforms for simpler tariffs and clearer information should be applied equally to ToU tariffs, while on the other there should be no unnecessary barriers to ToU tariffs due to RMR reforms. We agree that these Objectives constitute necessary groundwork for the focus on tariff innovation in Phase 2.

This is an important area – an estimated 19 per cent of domestic consumers in the UK have a meter capable of demand side response and may be on a time of use tariff and this number is expected to grow.²⁸ DECC estimates that by 2030 an additional 20 per cent of consumers will be on some kind static time DSR offer.²⁹

Our research on consumer experience of current ToU tariffs suggests that nearly 40 per cent of customers on such tariffs may be on the wrong deal with a significant minority reportedly confused by peak and off-peak times.³⁰

It is important that tariffs are comparable and transparent so that all customers, including those who do not use or have access to the internet, can make informed switching decisions.

To enable meaningful ToU comparisons, we repeat the recommendation we made in the RMR consultation that suppliers should:

- make it clearer to ToU customers the times of day that each price band covers, through means such as leaflets, fridge magnets or meter stickers; and IHDs.
- include information on bills about the proportion of customers' usage that they need to use in each band to be better off.

Our research in this area found that there were wide variations in the timing of off-peak periods not only between suppliers but also for the same supplier depending on the time of year and the Distribution Network Operator region.

There was also significant difference between suppliers regarding what proportion of electricity use consumers needed to use off-peak for them to save money, a range of 15-45 per cent.

Consumer Futures has previously asked suppliers for precise information about their Economy 7 off-peak hours in each distribution area, with the intention of publishing an easily readable chart. However suppliers were unable to provide us with definitive information due to the number of variations within each area.

²⁷ <http://bit.ly/LFRgrk> and <http://bit.ly/1f9AuCf>

²⁸ <http://bit.ly/15yGcbU>

²⁹ <http://bit.ly/1eMIF0Z>

³⁰ <http://bit.ly/11axJHG>

Despite the challenges, there is scope for work on the TCR and to develop a more accurate price comparison for ToU customers. The Utility Bill Calculator that has been developed by the Ontario Energy Board may be a possible starting model,³¹ though this depends on consumers having access to information about their own usage timing.

We welcome the setting up an industry and stakeholder working group. It is essential that the consumer viewpoint be represented on this group and we would be keen to participate.

Proposed additional objectives

- **That all customers have free and easy access to the data they need to make informed switching and purchasing decisions for energy products and services. This data should be comparable, portable and timely.**

In order to compare ToU deals customers need to know how much energy they are using and when. As far as we are aware, half hourly consumption information is not currently made available to customers with smart or advanced meters. This includes via IHDs, online energy reports, and midata. Customers must be able to easily access the energy consumption information they need to compare deals in a timely way. This includes being able to share it with third parties offering comparison services, particularly given the likely complexities of any calculation. This needs to be addressed in Phase 1.

Derogations for more innovative tariffs should be granted with caution until comparability improves and more detailed data is available. For example, British Gas announced a 'free electricity on Saturday's' tariff last year, which had a penalty fee if the customer left early.³² While the company developed their own price comparison calculator for the purpose of this deal, we question if customers are able to reliably establish whether they are better off on this deal prior to signing up to it. Yet they still risk a penalty fee if they leave early.

- **Understand the prevalence and application of time of use tariffs in the micro-business sector**

We recommend that Ofgem carries out research to better understand the prevalence and application of ToU tariffs in the micro-business sector before further tariff innovation work is carried out in Phase 2.

Phase 2 – Innovation

We welcome the recognition that over time and once the RMR reforms have taken hold, that greater flexibility and scope for more complex tariffs may be needed. But as noted it will continue to be important that new deals are simple, clear and comparable.

³¹ <http://bit.ly/1h1fKcV>

³² <http://bbc.in/1m5xyXz>

Similarly it is heartening to see Ofgem's recognition that not all customers will necessarily be able to benefit from smarter tariffs which incentivise load shifting and/or energy reduction. We are pleased that work on the distributional analysis is now underway – this is long overdue. We would welcome further details on the scope of this and reassurances that the assessment will be based on real-life trial data and not just modelling. The analysis needs to consider a thorough range of variables that might impact customers' ability or willingness to engage with new offers for example dwelling type, household make-up, fuel type and usage, discretionary load, lifestyles, as well as income.

It is highly likely that a systematic review of consumer protections will be required as DSR offers develop. In particular in relation to automation, deals that combine energy supply and products, and critical peak pricing where the financial risk to consumers could be quite considerable. Our views are set out in full in our Smart Grids paper,³³ and will be published in our upcoming position paper on DSR. We would welcome discussing this further with Ofgem.

There is much that can be learnt from industry trials of new innovations to date, including those funded under the Low Carbon Network Fund (LCNF). Unfortunately, this learning hasn't always been captured effectively, particularly where understanding the customer experience wasn't the initial aim of the pilot. We would urge Ofgem, to collate the consumer learning from trials and ensure consistency and comparability in reporting going forward. This will not only help to inform work in this area but also maximise value for money for customers from innovation funding.

In terms of micro-businesses, as mentioned, further research is needed in this area. We recognise that DSR offers may be a benefit to a minority of companies across a range of sectors. ToU tariffs might be especially useful to those larger small businesses who cannot get half-hourly (or interruptible) contracts, but who can vary their energy patterns. But it should be customer's choice whether to sign up to new deals.

Provision of consumption data and information

We agree that provision of consumption data and information should be a key focus area for Ofgem and share the vision and concerns outlined.

In particular, we strongly welcome the focus on micro-business needs, which has been relatively neglected to date and the emphasis on understanding the data implications for vulnerability. We are conscious that many of the solutions proposed so far to help customers access their data rely on customers being technologically savvy and/or using the internet. This potentially excludes significant proportions of the population.

Smart metering results in a step change in the volumes and detail of data that can be generated, collected, analysed and stored. This has implications for personal

³³ <http://bit.ly/15yGcbU>

privacy, security, competition, customer choice and profiling, prices, sales and marketing practices, to name but a few areas.

As noted, there is an important balance to be achieved between protecting personal privacy on the one hand and the delivery of benefits that can come from greater access to data, on the other.

Work by Consumer Futures on next generation intermediary services suggest that in the near-medium term we are set to see a range of innovative services that bring greater convenience to consumer engagement within the energy market. A key challenge for Ofgem will be to develop a regulatory framework that anticipates these developments, is flexible enough to respond to them, and can ensure that the right consumer protections are in place.

Ultimately, it is important that information works to the benefit of customers and communities giving them more power and control, not less choice and additional risk in the market. Achieving this will be a considerable challenge for the Ofgem.

We broadly support the smart metering data privacy and access framework which came into force last year, which aims to protect customers and give them choice and control over how their data is used. We also welcome the proposed extension of these protections to non-compliant smart and advanced meters – this is a sensible move. Suppliers should also get customer consent prior to installation and again prior to any change in process as some data collection unexpected.

However we believe there are some significant gaps that need to be addressed:

Proposed additional objectives

- **Customers are protected from greater access to data.** As part of this, Ofgem should:
 - Extend existing protections to non-compliant smart meters, as proposed, so there is consistency of approach for customers with compliant and non-compliant meters.
 - Monitor and enforce the new data privacy and access framework. It is unclear at what stage and how, if at all, suppliers are notifying customers of their data rights and choices. We are not aware that suppliers are clearly explaining the pros and cons of different decisions in an independent way so that requirements around ‘full disclosure’ are achieved. Customer’s decisions on whether to share data should be based on a clear understanding of the consequences – ‘unambiguous consent’. We continue to query how Ofgem plans to monitor the new rules and in particular how the roles and responsibilities will be shared between Ofgem and the Information Commissioner’s Office (ICO).
 - Clarify how Ofgem will link proposed work on data with the EU Regulation which is under development.
 - Clarify the current complaint handling and redress processes for energy data. We are unclear where customers go for help if they feel a breach has taken place and what happens thereafter.

- Customers should have the right to say no to data sharing, wherever possible, without negative implications for example higher cost tariffs, so they can give consent freely. They should be able to use switching sites with proportionate disclosure of personal information.
 - Ensure parity of protections between domestic and micro-business customers.
 - Ensure only complex data based services should be chargeable. These should be cost reflective and fair.
- **All customers have free, easy, and timely access to the data needed to make informed switching decisions and better manage their energy use (budgeting, energy efficiency and carbon reduction). This data should be in a comparable, portable format.**
- Require suppliers to make a customer's half hourly energy consumption data available to them, where they collect it. Local access or third party access to this level of detail of data is only guaranteed once the DCC is operational, or if the standards for the Home Area Network are specified and open, and if a market in Consumer Access Devices develops. The IHD does not collect and show this data either. It may be some years before any of these routes to access data are operational. As an immediate step half hourly data should be available via midata where the supplier collects it. As noted, this is important for customers to understand if they will be better off on current and emerging time of use offers. Such a step would be consistent with Ofgem's intention that suppliers provide information to consumers about their consumption that is commensurate with the data they are accessing from a customer's smart meter.
 - Focus on ensuring micro-businesses have free access to the data needed for the above objectives. At present suppliers do not have to offer micro-businesses an IHD or real-time access to energy data. Our research has found that some suppliers are charging for access to data which acts as a barrier to energy savings and potentially effective price comparisons. Again, the data available to customers is not commensurate with the data they are accessing.
 - Accurate account balance should be available on the IHD, and online (see Billing above). The RMR reforms facilitate this, overcoming many of the historic challenges to its provision.

- **Data offers benefits to low income customers and those with vulnerabilities**
 - Strive for access for all.
 - Incentivise innovation in data services that can help customers on low incomes or with vulnerabilities for example the setting of personal budget targets with text alerts when consumption is close to their the limit.
 - Explore and, where appropriate, actively drive data sharing where it can deliver benefits to customers. For example, the extension of the current data matching powers between the UK Government and fuel companies from low income pensioners to other low income households could help to more cost effectively deliver suppliers' social and environmental obligations. This could result in direct benefits to customers in financial difficulty and reduce administration and search costs for industry, reducing costs for all. There is a broad consensus across industry and consumer groups as to the value of such a move, but despite this nobody is driving this initiative forward. Ofgem needs to take a more proactive role. Consumer Futures has commissioned research into the cost/benefits and feasibility of extending data matching and would welcome working with Ofgem in this area.
- **Explore the potential for, and facilitate greater access to different kinds of energy data where it can deliver consumer benefits and there are minimal privacy implications.**
 - Customers can access information about their quality of supply which may help them evidence and therefore seek redress in the case of outages or breach of contracts.
 - Micro-generation customers have timely access to the information they need about their energy use and generation so as to monitor technology's performance and have greater control over tariff payments.
 - Open access to current and historical tariff data. Lack of data is a barrier to new TPIs entering the market. Ofgem could set up a standing information request to all suppliers requiring them to provide all tariff details as well as details of any new tariff launches in a standardised proforma. This information could be hosted on Ofgem's website and be provided free of use to any provider or consumer looking to harvest this data.
 - Prevent suppliers from becoming data controllers which risks restricting competition in emerging and existing markets. For example the customer should not have to go via the supplier to access key data needed to compare products or use services as this flags their intention to take action and gives the supplier a potential competitive advantage. Suppliers should be required to supply data promptly on request.

Marketing and sales

We agree that sales and marketing should be a focus for Ofgem in Phase 2. As noted, energy suppliers' track record in this area is poor and there is a risk that existing arrangements are not fit for purpose. We anticipate some potential weaknesses in the existing protections framework which need to be kept under close review. These include:

- A grey area around the use of IHDs for marketing purposes. We would welcome clarification of the rules in this area.
- The provision of data based services by players that are not signatories to the Smart Energy Code (SEC), which could result in cowboy practices, and the side stepping or protections putting customers at risk of detriment. We agree that in the future there may be a role for Ofgem in extending protections to these players.
- Clear gaps in complaint handling and redress framework particularly where customers sign up to deals that combine energy supply with products and services; energy based data services; and DSR offers such as automation and critical peak pricing, where the potential financial risk to customers from poor decisions is high. Redress currently falls between regulators; customers' rights are not clear; roles and responsibilities and liabilities are also not defined.
- Use of price comparison websites (PCWs) is growing with 56 per cent of consumers saying they have used one. There is arguably an increasingly important role for these TPIs as smarter more complex tariffs develop. Our investigation found that although PCWs were a useful platform for a basic search, only 20 per cent of sites that were investigated guaranteed savings in real terms.³⁴ Also their performance standards varied regarding the reliability and transparency of information provided. We are eagerly awaiting Ofgem's forthcoming consultation reviewing the Confidence Code in the light of RMR changes, including extending it to cover not just internet price comparisons, but also telesales and face to face sales. Consumer Futures' advocates the creation of a single accreditation scheme operated by Ofgem.
- Consumer Futures would like to see an Ofgem-run accreditation scheme for TPIs accompanied by a new licence requirement on suppliers requiring them to only deal with accredited providers. The Objective should be to ensure that no matter how energy consumers, domestic or micro-business, choose to purchase energy or energy services that they are able to access the same rights of redress and protections as consumers that purchase the same services directly from a licensed supplier.

³⁴ Price comparison websites: consumer perceptions and experiences, research commissioned by Consumer Futures with RS Consulting (2013), <http://bit.ly/17ljXp2>

- The micro-business sector suffers from issues of mis-selling, lack of transparency and poor behaviour. We have a large amount of evidence of sharp practice that causes detriment to non domestic customers. Further detail is outlined in our consultation response on TPI.³⁵ We will be responding to Ofgem's current consultation on the non domestic TPI code of practice.
- The exemptions for small businesses in SMICOP³⁶ mean that suppliers can conduct marketing activities without obtaining prior consent and don't have to train staff in identifying vulnerabilities or require them to tailor their communications to meet customer needs. They can also charge upfront for smart meters and equipment – this is potentially a weakness.

Phase 3 – Emerging market models

As recognised, beyond the end of mass rollout there will be a number of consumers without smart meters and the regulatory arrangements for this group will need to be considered.

We agree with Ofgem's proposal that until the tail-end of rollout it is not appropriate to differentiate between customers who do not want a smart meter and those that cannot have one, through no fault of their own. We question if under the current arrangements with the emphasis on cost reflectivity whether suppliers could charge customers who refuse a smart meter before the end of mass rollout. Ofgem will be aware that this practice has been adopted in other countries, given the additional costs to serve.

Going forward it will be necessary to establish what, if any, additional charge is fair and appropriate for customers who refuse a smart meter, and also if customers without smart meters, who wanted one, will receive any kind of alternative service or access to subsidised deals if they are disadvantaged in the market as a result. As noted, these decisions cannot be effectively made until the size and nature of the group without smart meters becomes apparent.

Consumer empowerment and protection for advanced DSR

We welcome Ofgem looking at the consumer impacts of any changes considered by the DSR project and reiterate our comments made in the market innovation section. Ofgem will need to be flexible and investigate and respond to offers that appear in the market ahead of this date.

³⁵ <http://bit.ly/17NnF7e>

³⁶ <http://bit.ly/1fvB08m>

Debt prevention and management tools for a smarter market

We agree with the synopsis of the ways in which smart technologies could impact debt prevention and management tools. Consumer Futures shares Ofgem's concerns that the balance of power will shift in favour of the suppliers across the portfolio of tools. We share the view that this poses a fundamental and overarching question of what constitutes an appropriate portfolio of debt prevention and management tools in a future smarter market. As noted this can't be considered in isolation of data access, smart prepay and billing issues. We believe that this work should be in Phase 2 not the later stages of rollout. British Gas for example is already starting to trial load limiting for small businesses and delivering the debt management benefits of smart early on in the rollout is a high priority for suppliers. Ahead of the proposed review, which we support, Ofgem will need to keep a keen eye on supplier practices, identify and share good practice and nip unfair activity in the bud.

Question 4: Do you agree with the phasing of the work, or do you think some areas should be brought forward or pushed back?

We are broadly happy with the phasing outlined, but urge the regulator to bring forward work on data access and protections, debt prevention and management tools, and to take prompt action to end back billing once a smart meter has been installed.

We strongly support prepayment being in the Foundation Phase and the focus on early delivery. There is a real risk that, despite the potential benefits that the rollout of smart prepay will be left until last because of the technical challenges and the lower priority afforded to this customer segment by many suppliers. Indeed there have been only a handful of trials of smart prepay to date. It is also timely for Ofgem to focus on this now to help ensure the foundations are in place before mass rollout. Suppliers are developing their prepay customer propositions. They would no doubt welcome an early steer from Ofgem in many of the areas outlined. It is always easier and cheaper to build in innovations from the start rather than adjust processes later on.

Question 5: Do you think we have missed any areas to focus on? When do you think we should address these?Cost savings/efficiency

We question why there is no explicit emphasis on delivering cost efficiency and value for money and seek reassurances that costs will be measured and monitored. While we recognise that DECC officially owns the Programme and has set up a benefits monitoring and reporting framework, there is still a critical role for Ofgem. We remain to be convinced that the shape of the current rollout will deliver smart metering at lowest cost, minimal hassle and maximum benefit to consumers. There is currently no mechanism in place to limit the financial risk to consumers should costs start to rise. Consumer Futures does not believe that relying on the competitive market is enough to keep costs in check. We are sceptical that suppliers

will pass on benefits in full to consumers, given their track record on prepayment and the failure of suppliers to reduce retail prices promptly when wholesale energy costs have fallen. This is a view shared by the Public Accounts Committee in its report on the *Preparations for the roll-out of smart meters*.³⁷

Non-standard installations

An immediate focus is also needed around non-standard installations. Some smart meter installations are likely to require additional work, the network and other parties being involved, and multiple home visits. This has the potential to add cost and inconvenience for the customer, with some households falling between parties when trying to get issues resolved. Where the customer's supply is disconnected or appliances condemned, this can pose a real risk to health and wellbeing especially for vulnerable customers. CERG-OI has been set up to work through the issues of non standard installations but progress has been painfully slow.

In particular, we do not yet have clarity on when customers will and won't have to pay additional charges, or what the customer journey will be in the case of disconnection or condemned appliances. We urge Ofgem to review its position on charging mechanisms to facilitate the socialisation of additional costs associated with a smart meter installation where it is not the customers fault so that customers do not face unexpected charges or unfair charges during installation. For example we believe that a customer should not be required to pay for their meter being re-sited if the reason is because the smart meter is too big to fit in the existing location. Ofgem also needs to be proactive in ensuring that customers are protected where there are problems and can quickly and easily get resolution, especially when off-supply.

Switching

Close monitoring is needed of customer switching experiences, not only switching supplier but also the ability of consumers to access smart related products and services as new markets develop. While we support Ofgem's effective switching licence conditions for domestic customers, there is some uncertainty as to whether these will be sufficient, particularly if not all meters are enrolled in the DCC. We have particular concerns about micro-business customers who are not covered by these latest safeguards. Calls to Citizens Advice consumer service (CACS) indicate that some micro-businesses with advanced or smart type meters are facing barriers to switching including suppliers not accepting them; tariff choice being restricted and customers ending up on more expensive tariffs as a result of problems. Further detail on this is set out in our consultation response³⁸. It is important that these issues are addressed.

³⁷ <http://bit.ly/WhhmpM>

³⁸ <http://webarchive.nationalarchives.gov.uk/20130503103454/http://www.consumerfocus.org.uk/files/2009/06/Consumer-Focus-response-to-Supporting-effective-switching-for-domestic-customers-with-smart-meters-consultation-August-2012.pdf>

Example calls from CACS

Consumer had a smart meter fitted by supplier B in January and is now having problems as he's switched supplier – is receiving estimated bills and the two suppliers keep sending him back and forth between them to get things resolved.

Consumer has smart meter and switched to supplier E. They say that they'll have to remove the meter and replace it with their own as they aren't universal. Consumer no longer wants to switch to them as he only agreed verbally but supplier won't respond to letters or emails.

Consumer agreed to switch to supplier S via a broker named y. Was told that S would take over the smart meter but was later told they would not. Has now been on out-of-contract rates for two weeks.

Question 6: How would you like to engage with us throughout this work?

We would like to praise Ofgem for the dynamic, constructive and transparent way in which this plan was developed. We look forward to seeing the more detailed proposals in Q2, in particular around micro-businesses and the approach to measuring success. We would welcome discussing the next steps through further bilateral meetings.

Ends.