



Ofgem Consultation – Consumer Empowerment and Protection in Smarter Markets

Response from E.ON

General Comments

We support the proactive stance being taken by Ofgem regarding the evolution of the retail energy market through the widespread deployment of smart metering. The Smarter Markets activity should facilitate the more rapid transition of parts of the energy industry and deliver benefits for both Suppliers and energy consumers.

We do have some concerns regarding the 'consumer empowerment and protection' aspect of the Smarter Markets activity. In particular we are concerned that new regulations may be imposed upon the industry prematurely with the potential for unintended consequences, before the market has been allowed to innovate and deliver optimal solutions.

We believe that it would be better for Ofgem to monitor the evolution of the market closely and to act quickly when problems arise rather than to second guess how the market may evolve.

Separately considering the consumer protection needs of business customers with smart meters seems sensible as they may be quite different from those affecting residential customers.

A phased approach to considering the issues is logical as the implications and needs of consumers will change as the deployment of smart meters gathers pace. Some issues such as prepayment and billing accuracy will affect customers early in the roll out and therefore we support their inclusion in the first phase of proposed activity.



Answers to consultation questions:

1. Do you agree with our proposed approach to micro-businesses?

We agree that it is useful to consider the needs of micro-business customers as part of this review. As a Supplier to business customers of all sizes we recognise the challenges that are presented by the various and sometimes conflicting definitions applied to micro and small business customers in relation to smart metering. This is a complication that will need to be considered as the various focus areas are assessed and amendments to regulations are proposed.

However we do not agree that it is sensible to address the requirements of micro-businesses within each area of the proposed work programme. We believe instead that it would be preferable to have a dedicated focus area for micro-business customers.

The needs of business customers may be quite different from those of residential ones. Including them in the proposed phasing and work groups for residential customers may not therefore be the most efficient way of dealing with the issues.

This may result in proposals for residential customers being delayed or insufficient time being allocated to issues that disproportionately affect business customers. The phasing of issues for residential and business customers may also be different. For example the development of more complex Time of Use tariffs in the business sector may come before an evolution for residential customers. Therefore we would suggest that micro-business customers be treated as a different focus group within this workstream of activity.

2. Do you agree with the focus areas we identified?

Yes, these seem the most appropriate areas to consider.

3. Do you agree with the objectives we set out?

In general they seem reasonable with most the specific objectives set out against the focus areas for phase 1 being appropriate. However some we believe are not clear, either being too specific or too vague. Those that we believe should be reconsidered or re-drafted include:

Prepayment objectives:

Safe, easy and proportionate switching between prepayment and credit – Is this objective referring to the business processes that are used by suppliers when customers move from a



credit product to pre-payment product or regarding the availability and use of pre-payment products, it does not seem clear to us and therefore should be amended.

Consumers protected from top-up failures – This would be covered by the objective looking at the optimal arrangements for emergency and friendly credit cover and is therefore not needed.

Robust understanding of self-disconnections and considered use of this information to support consumers – It isn't clear what is different with smart meters compared to existing pre-payment meters and therefore what this objective is actually striving to deliver.

Billing accuracy and options objectives:

No back-bills where the consumer is not at fault – The other objectives cover this issue more clearly and target the root cause.

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

Yes, the proposal to focus on prepayment and billing accuracy reflects aspects of the market that are likely to change significantly as a result of the introduction of smart metering. Both will have early implications for customers in the deployment of smart meters.

We note that 'debt prevention and management tools' is considered to be an area that is focused upon in phase 3 of the work, suggesting post 2018. In practice however it is likely that some aspects of this will have to be considered, potentially as part of the pre-payment focus area.

Considerable work has already been undertaken by Ofgem as part of the development of the 'Spring Package' proposals to ensure that existing licence obligations are fit for purpose for customers with smart meters. This includes remote disconnection and load limiting and therefore there may not be a need to consider these again as suggested in the proposals.

5. *Do you think we have missed any areas to focus on?*

No, the list of areas to focus attention on seems comprehensive but should be allowed to be amended should new issues arise that warrant attention.

6. *How would you like to engage with us throughout this work?*



The development and evolution of some of the services covered by this consultation will be areas of competitive differentiation between Suppliers, in particular new prepayment and Time of Use products. It is unlikely therefore that workgroups only with a wide variety of industry participants may be the most productive way to engage on some topics.

We would like therefore to engage in a combination of industry workgroups on specific issues and via bi-lateral dialogue with Ofgem on the detail of how innovation may be delivered by Suppliers.