

Bart Schoonbaert
Consumer Policy
Ofgem / Ofgem E-Serve
9 Millbank
London
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11th February 2014

Consumer Empowerment and Protection in Smarter Markets

Dear Mr. Schoonbaert,

First Utility welcomes the opportunity to respond to Ofgem's consultation on consumer empowerment and protection in smarter markets.

First Utility is a leading UK independent utilities supplier, offering electricity and gas services to a range of consumer and business customers. With around 350,000 dual fuel domestic customers, we have gained substantial experience of issues affecting the energy sector today. Outdated billing practices, old technology and inefficient customer service not to mention poor price competition, are just some of the issues affecting UK consumers: these are areas where First Utility is offering a real alternative for consumers.

With this in mind, we are leading the sector on engaging consumers in reducing energy demand. Our online programme for customers my:energy monitors energy usage levels, and once sufficient data is gathered, my:energy creates at-a-glance graphs, relevant reduction tips, high usage alerts for customers with smart meters and much more. We have also started a trial for 200 of our customers on mobile home heating controls and are working with Warwick University to assess the effectiveness of these on energy demand and comfort levels.

Looking forward, with the roll out of smart meters taking an increasing importance for enabling demand reduction by engaging consumers, it is essential that the regulatory environment is designed to facilitate this as much as possible. The regulatory environment is important to ensuring that consumers not only have the appropriate protections but are empowered to get the best out of smart metering and a smarter market.

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

Although we are withdrawing from the non-domestic market, we agree that micro-businesses should be considered in each of the focus areas rather than as separate entity as they share some similar characteristics to domestic consumers. However a balance must be struck between regulation and the ability to have commercial and innovative relationships with microbusinesses, in order to avoid any unintended consequences whilst ensuring such businesses are sufficiently empowered and protected.

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

Yes, however we would welcome more detail on the work plans for each of the focus areas.

Question 3: Do you agree with the objectives we set out?

The objectives for the foundation phase covering the prepayment, billing accuracy & options and RMR for Time-of-Use focus areas all appear to be logical and cover all the major issues affecting customer satisfaction and engagement. Customer needs are and must remain central to subsequent work plans and delivery to maximise success.

With this in mind, we would suggest that as Ofgem develops the work plans and objectives for subsequent phases, that regulatory impact assessments and consultations are completed with the contribution of industry to ensure the latest developments are taken into consideration. For example in relation to prepayment customers, it is important to ensure that the development and use of smart meter functionalities to support budget management and debt prevention represent an effective and efficient use of resources and deliver tangible benefits to consumers. Likewise, relevant protections to ensure the 'safe, easy and proportionate switching between prepayment and credit' have already been established in industry codes (i.e. the Safety Net) and supplier policies following Ofgem's 2011 Spring Package.

Changes to settlement arrangements are also required to facilitate the longer-term development of smarter markets. The absence of such reform would limit the potential for rolling out Time-of-Use tariffs and the associated benefits for customers in reducing costs through demand reduction, load shifting and potential involvement in demand side management programmes for grid balancing purposes.

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

The proposed phasing of work looks sensible, but Ofgem should be flexible to reviewing it as the smart meter roll out progresses in light of any 'lessons learnt'.

Question 5: Do you think we missed any areas to focus on? When do you think we should address these?

All the important areas at this time are covered: any new ones arising as the smart meter roll out progresses can be incorporated later on.

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

We look forward to working with Ofgem and other industry colleagues as the Consumer Empower and Protection project moves on and objectives / proposals are developed for each of the focus areas. We will continue to support the work by the Profiling and Settlement Review Group (PRSG) as settlement reform, and the use of smart metering data to allocate energy, has a key role to play in creating the right conditions for smarter markets.

If you would like any further information on First Utility's customer offerings or to discuss any part of our response, I would be very happy to meet with you in person.

Yours sincerely,

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