



## By email only

Bert Schoonbaert  
Ofgem Consumer Policy  
9 Millbank  
London  
SW1P 3GE

14 February 2014

Dear Mr Schoonbaert,

### Consumer Empowerment and Protection in Smarter Markets

Thank you for the opportunity to respond to the above consultation. We are happy for this response to be placed in the public domain.

#### Introduction

Smart metering will be transformational in terms of consumers' relationship with, and appreciation of the importance of, energy and its usage. This in turn will lead to a profound change in the relationship between consumers and their energy and/or energy services' providers. There will be a degree of expectation from consumers for flexible products and services more attuned to their needs and lifestyles that is not extant now.

From a supplier perspective, smart metering offers opportunities to tailor products etc to meet customers' needs and to offer them additional services as time goes by. Notwithstanding this probable convergence, as smart metering is the biggest infrastructure programme for a generation and this will have an impact on, literally, every home and business, it is right that the level of engagement is considered, together with any concomitant consumer protection measures that may be necessary.

npower very much welcomes Ofgem's consultation on the Consumer Empowerment and Protection high level work programme ("the Programme"). This complements the Central Delivery Body's 'Engagement Plan for Smart Meter Roll-out' published in December last year, as well as building on elements of the smart programme such as the SMiCoP.

Consulting at this stage and at a high level is helpful as there will be sufficient time should there be any need for Ofgem to change focus or priority (and for suppliers to respond accordingly).

Turning now to the questions asked in the consultation.

#### Designing the work programme

##### **Q1: Do you agree with our approach to micro businesses?**

Yes

Ofgem plans to address micro businesses within each area of the proposed work programme rather than treat them as a discrete element, as most provisions will apply as well as to domestic customers. It is right that Ofgem recognises, in electricity, the slight but distinct discrepancy between its definition of micro business customers and DECC's small non-domestic customers and how the programme may or may not affect these marginal customers.

RWE npower  
Trigonos  
Windmill Hill Business Park  
Whitehill Way  
Swindon  
Wiltshire SN5 6PB

T +44(0)1793/87 77 77  
F +44(0)1793/89 25 25  
I [www.rwenpower.com](http://www.rwenpower.com)

Registered office:  
RWE Npower Group plc  
Windmill Hill Business Park  
Whitehill Way  
Swindon  
Wiltshire SN5 6PB

Registered in England  
and Wales no. 8241182

Nonetheless, it seems sensible that micro businesses should be considered in each of the nine focus areas, rather than a distinct, separate focus area in and of itself in the programme. But, it should be noted that for domestic customers and micro businesses, future regulatory arrangements for the former may not be relevant or desirable for the latter as they may impinge on the normal commercial relationship between suppliers and micro business customers.

### **Ofgem's proposed work programme**

#### **Q2: Do you agree with the focus areas we identified**

Yes.

npower supports the nine key focus areas identified by Ofgem as part of the proposed workplan. It would be helpful to have a little more detail about what Ofgem plans to do within each.

#### **Q3: Do you agree with the objectives we set out; and**

#### **Q4: Do you agree with the proposed phasing of work, or do you think some areas should be brought forward or pushed back?**

Yes to both.

The phases, focus areas and high-level objectives listed in the consultation document seem sensible. However, Ofgem must retain flexibility to adapt these to emerging issues as the smart-meter roll-out moves forward.

On the individual objectives we would make the following comments:

### **Phase 1 – Foundation**

#### 1. Prepayment:

- As an industry we have tried to make it easier for prepayment (ppm) customers to switch supplier, but there is still little movement in this area of the market despite the increasing of the debt threshold. Do we understand why this is the case, and if so does smart give us more potential or flexibility to help these customers?
- Relevant protections to ensure what is safe and reasonably practicable regarding the installation of ppm smart meters may need to be reviewed as roll-out gathers pace. However, the guidance surrounding this phase does recognise that it may be easier (and therefore more widespread) for consumers to use a smart meter in prepayment mode than a traditional 'dumb' ppm, thus assisting the 'de-stigmatising' of this mode of paying for energy.
- What does 'safe, easy and proportionate switching between prepayment and credit' mean in practice? 'proportionate' might imply some kind of limit on the number of smart meters operating in prepayment mode at any one time. Also, as there is already a robust consumer protection framework around ppms, any additional measures need to be shown to be necessary, based on evidence and accompanied by an impact assessment.

- On top-up failures, suppliers will not be responsible solely for the top-up process; the Data Communications Company is integral to this arrangement and its role must be considered as part of the Programme.
- On budget management and debt prevention functionalities, subject to certain minimum criteria, these should be left for suppliers to develop as part of their competitive offerings.
- Again, in relation to 'optimal emergency and friendly credit arrangements', subject to certain minimum criteria, suppliers should be each free to differentiate their offerings.
- Regarding easy switching between for prepayment consumers and credit refunds and transfers, the current debt assignment protocol (DAP) for consumers using traditional ppms has been extant for many years. Even with the recent changes to the process (an increased transfer threshold from £200 to £500; less involvement and hence more convenience for the customer), the number of customers using the DAP remains stubbornly small as a proportion of the total of customers changing supplier. This needs to be considered in the smart meter context.

We agree that refunds should be made in an efficient and timely manner

## 2. Billing accuracy and options

- accurate bills supported by convenient and effective billing frequency and payment method arrangements
- no reliance on estimated meter readings
- optimal direct debit calculations based on accurate consumption data
- no back-bills where the consumer is not at fault
- timely and accurate opening bills, final bills and rebates

The above objectives are laudable in principle, and suppliers will strive to achieve them in practice. However, to frame some in absolute terms, perhaps, fails to recognise the practical difficulties in meeting them. They also need to be seen in the context of what flows (and may flow) from Europe, as well taking account of self-regulation (cf the Code of Practice for Accurate Bills and the proposals to review it later this year).

## 3. RMR and time of use tariffs

We agree that this work should fall under the Programme to take forward. As Ofgem recognises, the development of the Tariff Comparison Rate is a complex and multi-factorial area, and that this requires further work for its application to time-of-use tariffs. Consumers must have clear, non-misleading information on which to make an informed choice between suppliers.

## **Phase 2 – Innovation: 2016-2018**

### 4. Tariff innovation

We agree that the current arrangements (aimed primarily at domestic consumers) strike the right balance between tariff innovation and RMR objectives. However, we accept that things may change as smart meter tariffs become more sophisticated, but this should be identified by the review of RMR in 2017. For micro business customers, we agree that Ofgem should keep things under review.

5. Provision of consumption data and information

We agree that in seeing how the market will develop and whether certain consumers benefit more than others (for example, are vulnerable consumers affected more or less?) before considering any further action is the right approach. The link with the Third party Intermediaries' (TPIs) work is essential here.

Greater access to more detailed consumer data should benefit consumers to better management their energy use and allow for the development of new products and services. The obverse of this data coin is privacy and security. The RMR review and DECC's review of data privacy should address this.

6. Marketing and sales

There is already considerable licence-based regulation around this area. If Ofgem believes existing licence conditions may not be adequate or flexible enough to deal with smart-meter-derived products or services, or those non-supply entities which provide them (TPIs, for example), it must bring forward the necessary evidence (including an impact assessment) before introducing further provisions.

**Phase 3 – Emerging market models: 2018-2020**

7. Consumers without a smart meter

We agree that during roll-out there should not be a distinction between those consumers who are at the end of the roll-out period for smart meter installation and those who refuse to, or cannot, have one. We also agree that keeping a watching brief on this is the best way forward.

8. Consumer empowerment and protection for advanced Demand-Side Response (DSR)

Following the last DSR consultation, Ofgem stated that they had 'listened' to the industry and that it was not pushing forward development of DSR, but would support the work of the Smart Grids Forum, (Workstream 6), which would look at potential framework models. We think that this is the right decision at present, as the technology and funding of developing a DSR model are still unclear.

We agree that Ofgem's own Smarter Markets DSR project should lead on this aspect (and that it should apply to both domestic and micro businesses).

9. Debt prevention and management tools for a smarter market

We agree that in the short term, Ofgem should use the existing reporting framework to monitor things going forward using; for example, social obligations reporting and non-domestic debt and disconnection work. Keeping an open mind on the impact smart metering may have on the area of debt is also recommended; this will any avoid precipitative action that of itself may affect how suppliers and consumers interact through smart meters.

***Q5: Do you think we have missed any areas to focus on? When do you think we should address these?***

10. The list looks comprehensive, but Ofgem must be prepared to revise this should the need arise.

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

11. As the Programme overlays a number of existing forums, Ofgem should work through these. The programme should complement and support, not replace what is already in place.

If there are any points you wish to discuss arising from this letter, please do not hesitate to contact me.

Yours sincerely

Paul Tonkinson  
Regulation  
1 Bridgwater Road,  
Worcester  
WR4 9FP  
07989 493019  
[paul.tonkinson@npower.com](mailto:paul.tonkinson@npower.com)

