

Please familiarise yourself with the relevant Smarter Markets Consumer Empowerment & Protection documents:

[Consultation document](#)

(see p.21 for work area rationale)

[Consultation response & decision document](#)

(see p.22 for workplan & approach)

Note: the following slides are for discussion purposes only

Consumer Empowerment and Protection

Smart prepayment workshop

10th November 2014

ofgem

Welcome, introductions & objectives

Context

Workstream 1 – Intentions and options

Workstream 2 – Existing arrangements

Wrap-up and next steps

- ‘Kick-off’ stakeholder engagement for the smart prepayment work
- Set context and explain approach
- Flag initial questions
- Start discussions and get your initial views

Welcome, introductions & objectives

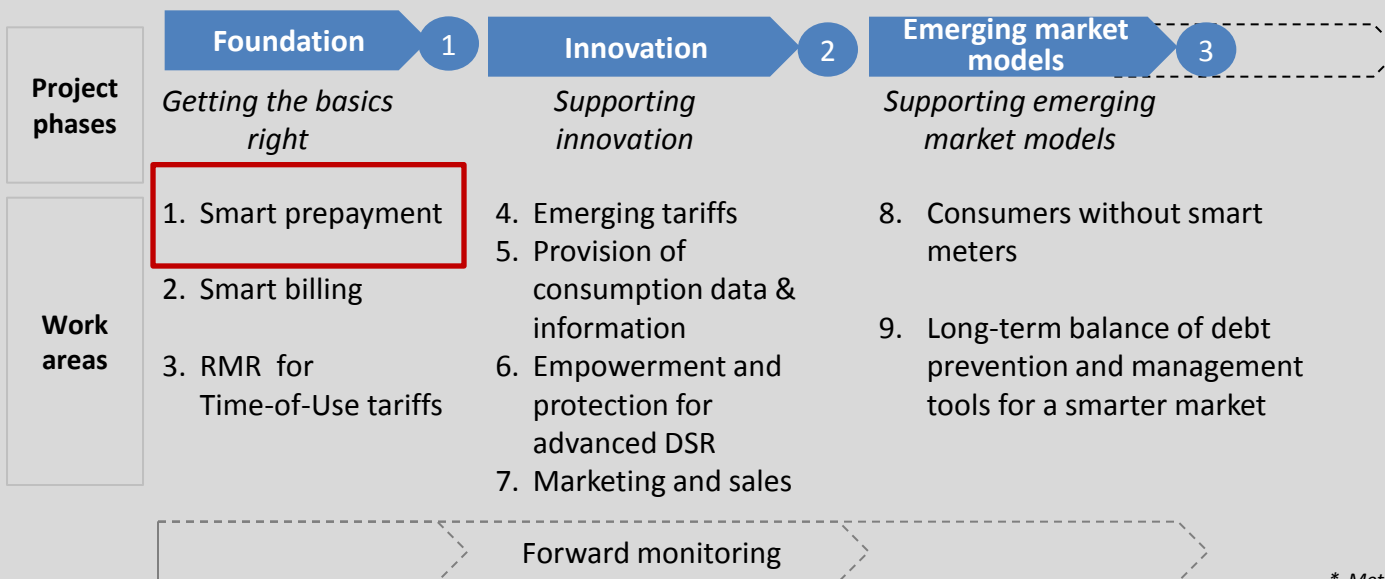
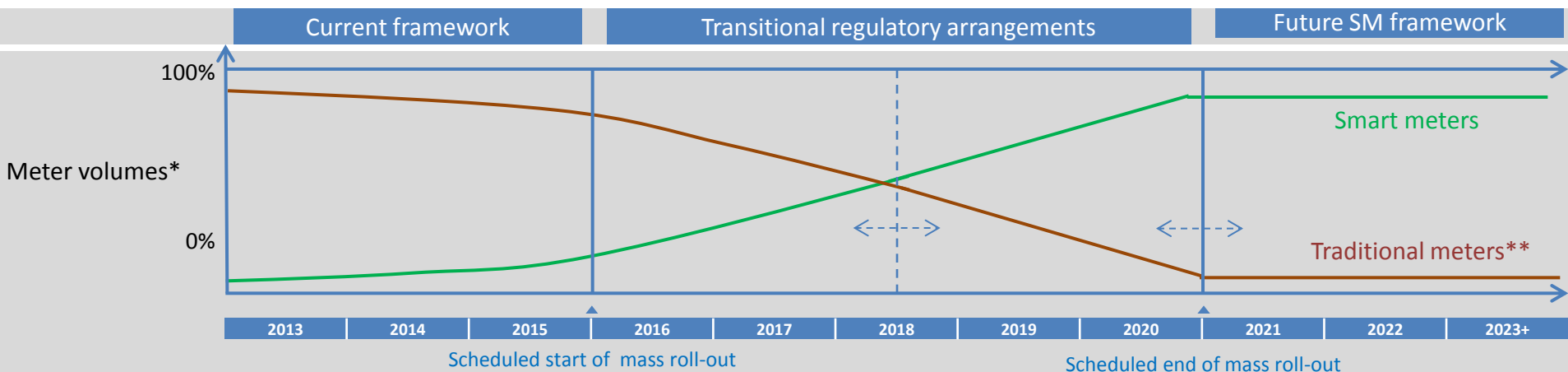
Context

Workstream 1 – Intentions and options

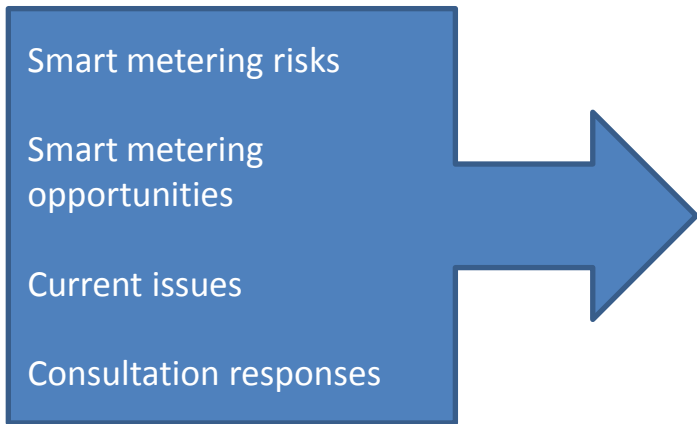
Workstream 2 – Existing arrangements

Wrap-up and next steps

Consumer Empowerment & Protection work programme



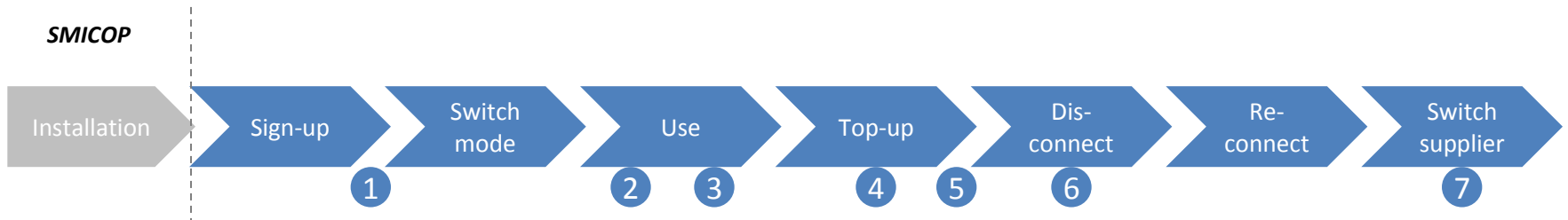
* Meter volumes are illustrative
** Not necessarily current traditional meters



Smart prepayment -- high level objectives

1. Safe, easy and proportionate switching between prepayment and credit.
2. Prepayment as a clear and convenient proposition for customers.
3. Effective use of available smart prepayment functionalities to support consumer budget management and debt prevention (eg low credit alerts).
4. Consumers protected from top-up failures.
5. Appropriate emergency and friendly credit arrangements.
6. Robust understanding of self-disconnections and considered use of this information to protect consumers.
7. Prepayment consumers switching easily between suppliers with accurate and timely credit transfers or refunds.

Objectives by the consumer journey:



- A substantial framework of protections around prepayment already exists and any additional measures need to be shown as necessary
- Smart prepayment is ‘an emerging and innovative sector, which has much greater capacity for consumer benefit than for detriment’.
- Some of the objectives constitute areas of competitive differentiation and that, subject to certain minimum criteria, suppliers should each be free to differentiate their offerings.

- We will be ambitious and keep front of mind that consumers are footing the bill for smart meters. We want the opportunities realised and the expectations met.
- We start from the position that smart offers the opportunity to positively transform the ppm consumer experience.
- We will assume that prepayment will become increasingly prevalent, both for domestic and micro-business consumers.
- We will keep things as simple as possible... and only as complex as they need to be.
- We will mainly consider if it is appropriate to agree or set minimum standards.
- We will focus on protections primarily in reference to new functionalities.
- We will specifically consider vulnerable consumers.

	Sept 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Analysis		<ul style="list-style-type: none"> • Self-disconnection workshop 					
		<p>Understand smart ppm intentions & options</p>					
	Set-up						
		<p>Consider existing arrangements</p>					
	<p>Collate research</p>	<p>Consumer research (TBC – if gap identified)</p>					
Design				<p>Define protections and minimum standards/expectations</p>			
				<p>Define changes to existing arrangements</p>			
Consultation & implementation					<p>Consult & implement</p>		

◆ Multi-stakeholder meeting / workshop

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Safe, easy and proportionate switching between prepayment and credit

Context & key points

- Smart offers the opportunity to address many of the current, considerable challenges and barriers to switching between credit and prepayment (in both directions).
- Most obviously, there will no longer be a need to physically exchange the meter
- Smart brings specific risks associated with remotely switching meter mode.
- This includes the risk of erroneous transfers

Initial questions

- How will you ensure it is safe and reasonably practicable to switch the meter to PPM mode?
- How will you establish if a PPMID is required? Eg do you (intend to) capture meter location on installation or on acquiring a customer with a smart meter?
- Are there any intentions to charge the customer for the switch between PPM and credit mode (in either direction), incl. with regard to the PPMID?
- What instruction and information will a customer receive when switching between PPM and credit mode?
- How will you handle and mitigate an erroneous transfer between PPM and credit mode?
- How will PINs be handled on switching to PPM?
- Are there any issues and considerations specific to micro-businesses with regard to this objective?

Prepayment as a clear and convenient proposition for consumers

Context & key points

- Smart offers a great opportunity to make prepayment far more convenient for consumers, incl. on meter access and top-ups
- Considerable improvements in terms of communicating with customers in recent years
- Understanding of PPM consumers can remain low on:
 - How prepayment meters work
 - Tariffs
 - Standing charges and how these are deducted
 - How emergency or friendly credit work
 - Debt repayment levels
 - Debt remaining levels
- IHD will provide a lot of this information, and PPMID can provide some essential functionalities
- Need for face to face instruction and information for consumers on how to operate prepayment meters, and manage their energy usage. Evidence highlights that continuing support in this area will be important.

Initial questions

- What information and support will be available to PPM customers?
- What information and support will be available for vulnerable customers, and how will this be targeted specifically to them?
- What are your approaches to offering and supporting PPMIDs?
- What information will be included in the card provided to consumers?
- How will PINs be supported?
- Are there any issues and considerations specific to micro-businesses with regard to this objective?

Effective use of available smart prepayment functionalities to support consumer budget management and debt prevention (eg low credit alerts)

Context & key points

- Consumers choosing prepayment often do so to help manage their budget
- Smart meters, eg through availability of near real-time and granular data, allows suppliers to offer services that can help consumers better manage their budget
- In home displays, as one channel, could offer low credit alerts

Initial questions

- How do you intend to use the available functionalities to support consumers to manage their budget, eg:
 - Credit alerts
 - Consumption alerts
 - Repayment flexibility
 - Account statements
- Will any offerings/services be targeted at vulnerable consumers?
- Are there any issues and considerations specific to micro-businesses with regard to this objective?

Consumers protected from top up failures

Context & key points

- Smart offers the opportunity to address some key issues inherent in current payment infrastructure setup, eg misdirected or misallocated payments
- Top-up failures with smart meters could occur for a variety of reasons incl.:
 - Comms failure
 - Customer takes old card
 - Customer takes wrong card
 - Inaccurate rejection on validation
- UTRN as primary solution to comms failure
- Appropriate communication with consumers will be essential to mitigate top-up failures
- Multiple payment channels will be available under smart. Top-up failure needs to be considered across all.

Initial questions

- What are your approaches to communicating with customers and providing accessible support in case of top-up failures ?
- What solution(s) will be adopted in case of comms failure resulting in a failed vend?
- When will a customer be issued with a UTRN, eg after every top up or only in instances where there is a comms issue? Across different channels?
- What solution(s) will be adopted to prevent or mitigate consumers topping up with an old card?
- What solution(s) will be adopted to prevent or mitigate consumers topping up with the wrong card?
- Are there any issues and considerations specific to micro-businesses with regard to this objective?

Appropriate emergency and friendly credit arrangements

Context & key points

- Supplier services/offerings currently differ in terms of emergency and friendly credit arrangements
- Levels/settings and repayment can be source of confusion for consumers
- Smart metering offers the opportunity for greater flexibility and tailored services/offerings

Initial questions

- What are your intentions or plans for emergency credit arrangements? How will this be different from the current arrangements?
- What are your intentions or plans for friendly credit arrangements? How will this be different from the current arrangements?
- What are the issues or considerations specific to gas for smart PPM?
- What is the approach to re-enablement incl. via PPMID?
- Are there any issues and considerations specific to micro-businesses with regard to this objective?

Robust understanding of self – disconnections and considered use of this information to support consumers

Context & key points

- Prepayment moves burden of disconnection from supplier to consumer
- Consumer Focus (2010) research – 16% self-disconnecting, 5% regularly self-disconnecting
- Key reasons for self-disconnection include:
 - Not realising the meter was low on credit
 - Forgetting to top the meter up in time
 - Insufficient money available to top-up
- Smart offers opportunity to gain better insight into consumer top-up and self-disconnection behaviours

Initial questions

- What opportunities does smart offer for monitoring customer top ups and self disconnection?
- What individual or collective actions could be taken on the basis of this data and information?
- Are there any privacy concerns or considerations associated with accessing or using self-disconnection data?
- Are there any issues and considerations specific to micro-businesses with regard to this objective?

This topic will be discussed at a dedicated self-disconnection workshop

Prepayment consumers switching easily between suppliers with accurate and timely credit transfers or refunds

Context & key points

- Smart could facilitate and increase switching for PPM consumers, though not all barriers will necessarily be addressed
- Historically low levels of switching, however growth in prepayment customers switching in recent years. Evidence shows that prepayment customers encounter barriers to switching including poor tariff choices and some customers are unaware that they can switch with an outstanding debt.
- Smart brings some specific questions and challenges to the CoS process for PPM consumers

Initial questions

- What will happen to the meter mode on CoS? If defaulted to credit mode before the switch:
 - How/when will outstanding credit be refunded to the customer?
 - Will the meter be cleared of both credit and debt?
 - What will be done to mitigate the consumer temporarily 'paying twice'?
- What happens to the PPMID on change of supplier?
- What happens to the PIN on change of supplier?
- Are there any issues and considerations specific to micro-businesses with regard to this objective?

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The current arrangements for prepayment fall broadly into the following categories:

- Statutory requirements (the Gas Act 1986 and Electricity Act 1989) and Electricity Regulations
- Licence Conditions
- Ofgem guidance on Licence Conditions, suggested general principles and monitoring requirements on suppliers
- Industry led codes of practice, voluntary agreements and advice

The majority of arrangements apply to domestic consumers only

Type/source*	High-level content	Possible questions or considerations
LC 27.1, 27.2A Payment methods under domestic supply contract	Need to offer payment in advance through a prepayment meter (exceptions listed); need for cost-reflectivity	What are the implications for smart prepayment?
The Gas Act 1986 and Electricity Act 1989	Need to give 7 days written notice ahead of disconnection or prepayment installation	What are the implications for smart prepayment?
Ofgem monitoring - Social Obligations Reporting (SOR)	Ofgem collects various information from suppliers on PPM and SM PP modes	Are the current indicators and measures sufficient and appropriate? How could/should self-disconnections be included?

We welcome:

- initial responses to questions/considerations
- additional thoughts on current arrangements we should consider with regard to smart ppm
- initial views on need to extend any current arrangements to micro-businesses

* Licence Conditions from Standard Conditions of Electricity Supply Licence

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- Citizens Advice (2014), *Topping up or dropping out: self – disconnection among prepayment meter users*, available at: http://www.citizensadvice.org.uk/topping_up_or_dropping_out
- Church Action on Poverty (2014), *let us switch! how prepayment meters trap people in fuel poverty*, available at: <http://www.church-poverty.org.uk/switch/report/letthemswitch>
- Accenture and Consumer Futures (2013), *Smart Prepayment in Great Britain: making prepay energy work in a smart world*, available at: <http://www.consumerfocus.org.uk/publications/smart-metering-prepayment-in-great-britain-making-prepaid-energy-work-in-a-smart-world>
- Citizens Advice Bureau (2013), *Left Out in the Cold: Why Prepayment Meter Users need a Better Deal*, available at: <http://www.southamonline.org.uk/sites/default/files/Left%20out%20in%20the%20Cold.pdf>
- Consumer Futures (2012), *Making progress: an analysis of improvement made by energy companies for their prepayment customers*, available at: <http://www.consumerfutures.org.uk/files/2013/07/Making-progress.pdf>
- Consumer Futures (2010), *Cutting back, cutting down, cutting off: self disconnection among prepayment meter users*, available at: <http://www.consumerfocus.org.uk/files/2010/10/Cutting-back-cutting-down-cutting-off.pdf>

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We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.