

Consumer Empowerment and Protection

Smart Prepayment policy workshop

17 June 2015

ofgem

14:00-14:15	Welcome, introductions and recap
14:15-15:20	Future arrangements Ensuring continuity of supply on a smart change of supply (CoS) Key functionalities for consumers
<i>15:20-15:30</i>	<i>BREAK</i>
15:30-16:20	Future arrangements - continued Meter location and access WAN-down and remote top ups Self-disconnections Change of tenancy Consumer communications
16:20-16:35	Current arrangements
16:35-16:50	Microbusinesses
16:50-17:00	Wrap up and AOB

- To share, ahead of public consultation in the Summer, our emerging views and draft proposals on:
 - future arrangements for smart ppm;
 - current arrangements; and
 - our approach to micro-businesses.
- Test specific policy elements to further inform our thinking prior to consultation.

Last year we consulted on our objectives for smart prepayment, and following feedback from stakeholders published revised objectives in September 2014.

Smart prepayment - high level objectives

1. Safe, easy and proportionate switching between prepayment and credit.
2. Prepayment as a clear and convenient proposition for consumers.
3. Effective use of smart prepayment functionalities to support consumer budget management and debt prevention (e.g. 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 support consumers.
7. Prepayment consumers switching easily between suppliers with accurate and timely credit transfers or refunds.

Our [November workshop](#) we kicked off our smart ppm project. We also held a self-disconnection workshop shortly after. Since then, we have met with many of you on a bilateral basis to discuss:

- smart prepayment plans and timescales.
- expectations and intentions are around each of our smart prepayment objectives.
- industry solutions previously worked up to address the smart prepayment issues relative to our objectives.
- technical and functional considerations against our objectives.
- views on any gaps in our existing protections for prepayment consumers.
- views on compatibility of existing protections with smart technology.

We have combined the information gathered during our workshops and bilaterals with the existing body of research to identify if any action is required by us in terms of new arrangements, or in terms of changes to the existing framework of protections.

- We have been very mindful of your responses to our 2014 consultation – including the need not to stifle innovation and competitive differentiation.
- We believe that smart technology per se will positively transform the prepayment experience, and are encouraged by the developments we have seen.
- The existing regulatory framework, in combination with the technical and functional specifications of the smart metering technology, provide a lot of the necessary protections.
- For some smart-specific scenarios, we want to highlight how the existing arrangements apply.
- We do not see the need to change any of the existing arrangements.
- For Change of Supply, we consider that some new arrangements may need to be put in place.
- In a few areas, we propose to institute monitoring.
- Through our work and engagement around smart ppm, we have identified a number of key topics/situations which need careful consideration in terms of consumer communications. We want to highlight these, as they can help to inform the design of customer journeys.
- At this time, we do not propose to extend any of the existing or new arrangements to microbusinesses.

14:00-14:15 **Welcome, introductions and recap**

14:15-15:20 **Future arrangements**

15:20-15:30 *BREAK*

15:30-16:20 **Future arrangements - continued**

16:20-16:35 **Current arrangements**

16:35-16:50 **Microbusinesses**

16:50-17:00 **Wrap up and AOB**

Based on our engagement with you, we focused on the following topics - which cut across our objectives:

Topics	Smart prepayment objective(s)
Ensuring continuity of supply on a smart change of supply (CoS)	Objective 7
Key functionalities for consumers	Objectives 2, 3, 4 and 5
Meter location and access	Objectives 4 and 7
WAN-down and remote top ups	Objectives 2 and 4
Self-disconnections	Objectives 2, 3, 5 and 6
Change of tenancy	Objectives 1, 2 and 7
Consumer communications	Objective 2

Key:

Changes to arrangements proposed

No changes proposed. Specific points to be highlighted.

14:00-14:15	Welcome, introductions and recap
14:15-15:20	Future arrangements
<i>15:20-15:30</i>	<i>BREAK</i>
15:30-16:20	Future arrangements - continued
16:20-16:35	Current arrangements
16:35-16:50	Microbusinesses
16:50-17:00	Wrap up and AOB

We understand there to be a risk that a consumer could go off supply during the CoS process if:

- Meter is left in PPM mode at point of CoS;
- The gaining supplier is not able to access the meter for some time from the point of CoS (eg the gaining supplier may not be able to execute the CoS security credentials update at supplier start date (SSD) – could be due to a WAN failure);
- The losing supplier closes the consumer's account at point of CoS and rejects further top ups; and
- All credit is run down in the meter with the consumer left unable to top up.

This is a risk that industry has previously considered (through the Smart PPM Issue Log), and proposed a solution for suppliers to leave the meter in credit mode at the point of CoS (with refund to consumer of remaining credit).

It has been suggested that this may be the only truly fail-safe approach to guarantee continuity of supply, and several parties have called on Ofgem to ensure this is adopted as standard.

Option	Advantages	Disadvantages
<i>Focus on principle of consumer not going off supply at CoS</i>	<ul style="list-style-type: none"> - Principles based approach. Focus on the overall outcome of ensuring supply rather than prescriptive solution - Accommodates proposed industry solution; no change needed if already adopted - 'Futureproofing' – allows for alternatives 	<ul style="list-style-type: none"> - Gaining supplier would need to know how the meter was left at CoS → information/data flows would need to be put in place (do not exist) - Alternative solution safeguards may need to be put in place (eg UTRN swaps) - Consumers may be confused if different suppliers adopt different solutions - May not mitigate the risk of the consumer going off supply to the greatest extent depending on solution adopted
<i>Adopt single solution to leave meter in credit mode</i>	<ul style="list-style-type: none"> - Solution proposed through industry forums - Suggested as only truly fail-safe solution (incl. in current & pre-DCC environment where gaining supplier may not operate meter in smart mode) - Ensures consistent approach: supplier awareness and less confusing for the consumer 	<ul style="list-style-type: none"> - Not the 'smartest' consumer journey to be refunded at CoS when remaining on PPM between suppliers - Doesn't allow for alternative solutions to be developed and/or adopted

The solution of leaving the meter in credit mode could lead to a few unintended consequences:

Potential consequence	What this means
<i>Gaining supplier could have customer with ppm contract on a meter in credit mode</i>	<ul style="list-style-type: none"> - Consideration for contractual Terms and Conditions.
<i>PPM customer on meter in credit mode could build up (significant) debt with their new supplier if the comms issues endure for some time</i>	<ul style="list-style-type: none"> - Could be a real issue for consumers, especially vulnerable/low income. - Suppliers can/will adopt different approaches. - Existing consumer protections apply; ability to pay needs to be taken into consideration if debt is recovered (SLC27).
<i>A customer could be in a situation where they temporarily have to pay twice while they wait for any outstanding balance left on the meter to be refunded by their old supplier.</i>	<ul style="list-style-type: none"> - Could be a real issue for consumers, especially vulnerable/low income. - Customer communications will be very important, eg: <ul style="list-style-type: none"> - Encourage running down balances on meter - Encourage consumers to highlight if this is an issue - Suppliers can consider implications for 'starting' top-ups/credits.

Q: Are there any other unintended consequences?

This is a complex, multi-faceted issue for which we want to find the most appropriate solution.

Our draft proposal is to ensure a single solution is adopted to leave the meter in credit mode at the point of CoS:

- In line with solution proposed by industry.
- No changes to systems/processes (current or under design) where this has already been adopted.
- Greatest consistency and clarity for all parties – including suppliers and consumers
- Minimises the risk of the consumer going off supply.

As an operational issue, concerning a cross-industry process, we consider that this is best implemented by industry through the relevant code(s).

Questions:

- 1. Do you agree with our approach?**
- 2. What are the SMETS1 v SMETS2 considerations?**
- 3. Do you feel this is an enduring solution or something that could/should be revisited?**

14:00-14:15 **Welcome, introductions and recap**

14:15-15:20 **Future arrangements**

15:20-15:30 *BREAK*

15:30-16:20 **Future arrangements - continued**

16:20-16:35 **Current arrangements**

16:35-16:50 **Microbusinesses**

16:50-17:00 **Wrap up and AOB**

Functionality	Why they are important for us to consider?
<i>Emergency Credit (EC) & Friendly credit (FC)</i>	<ul style="list-style-type: none"> - Back-up for consumers when they do not - or are unable to - top-up - Important safeguard against self-disconnections. - Far greater flexibility due to smart technology
<i>Low credit alerts & High consumption alerts</i>	<ul style="list-style-type: none"> - Useful budget management tools for consumers - Potential safeguards against self-disconnections - Far greater flexibility due to smart technology
<i>Top-up channels</i>	<ul style="list-style-type: none"> - Far greater possibilities to top-up across multiple and non-traditional channels - Important safeguard against self-disconnections where eg inability to leave the house prevented timely top-up
<i>Minimum top-up amounts</i>	<ul style="list-style-type: none"> - Underlying cost structures may be reflected in minimum top-up amounts (potentially varying across channels) - High minimum top-ups may in effect exclude a specific channel being available for those wanting to (regularly) top-up with small amounts – potentially limiting the multi-channel benefit and affecting self-disconnections

All these functionalities will be particularly important for more vulnerable consumers. 15

Our draft proposal is to monitor – through our Social Obligations Reporting (SOR) – suppliers’ offerings around Emergency Credit, Friendly Credit, top-up channels available, minimum top-ups by channel.

- Whilst the functionalities can offer essential protection e.g. against self-disconnections, we recognise that these are key areas for innovation. They can also enable competitive differentiation.
- We currently believe that suppliers are considering - or have already implemented – appropriate ways to support consumers through these functionalities.
- We therefore do not propose to set any (minimum) standards. We do propose to monitor suppliers’ offerings around the most fundamental functionalities: Emergency Credit, Friendly Credit, top-up channels available, minimum top-ups by channel.
- This allows us to monitor the entire market efficiently, without imposing a great burden on individual suppliers. We can then act if we feel there is cause for concern.
- It also allows us to highlight good supplier practices through the existing SOR reporting format – a key benefit of the SOR as recognised by industry.

Q: Do you agree with our approach?

14:00-14:15	Welcome, introductions and recap
14:15-15:20	Future arrangements
<i>15:20-15:30</i>	<i>BREAK</i>
15:30-16:20	Future arrangements - continued
16:20-16:35	Current arrangements
16:35-16:50	Microbusinesses
16:50-17:00	Wrap up and AOB

14:00-14:15	Welcome, introductions and recap
14:15-15:20	Future arrangements
<i>15:20-15:30</i>	<i>BREAK</i>
15:30-16:20	Future arrangements - continued
16:20-16:35	Current arrangements
16:35-16:50	Microbusinesses
16:50-17:00	Wrap up and AOB

The issue we considered:

- Difficult-to-access meter locations will become more prevalent for prepayment customers under smart – as all meters will have prepayment capabilities.
- Suppliers may not immediately know that a meter being switched to prepayment mode is hard to access - as they no longer need to visit the property to physically exchange the meter.

It was suggested to us that improving the data captured on meter installation could help to more easily identify hard-to-access meter locations. There are quality issues with the existing data, which mean it cannot always be relied upon. We have considered this but do not propose to take action:

- There is merit in improving this data, and industry or individual suppliers can choose to work on this.
- Improving the quality of the existing data across industry would require a lot of work; forcing this would therefore impose a significant burden.
- The accessibility of the meter still needs to be assessed on a case by case basis, and it needs to be safe and reasonably practicable for the consumer to be on prepayment. Existing protections cover this (cf. [Ofgem Spring Package 2011 - safe and reasonably practicable guidance](#)). It has been suggested that, despite potential improvements to industry data, this would in any case not be (fully) relied on.
- We therefore consider that forcing the work needed to update the data would be disproportionate.

Q: Do you agree?

14:00-14:15	Welcome, introductions and recap
14:15-15:20	Future arrangements
<i>15:20-15:30</i>	<i>BREAK</i>
15:30-16:20	Future arrangements - continued
16:20-16:35	Current arrangements
16:35-16:50	Microbusinesses
16:50-17:00	Wrap up and AOB

The issue we considered:

- In case of WAN failure a prepayment meter cannot be topped-up remotely after a payment transaction.

There are protections in place through both existing regulations (e.g. Spring Package) and SMETS:

- There is a UTRN solution allowing customers to top up manually through a consumer interface; this UTRN can be made available across all payment channels.
- A consumer interface can take various forms e.g. PPMID/IHD, keypad on the meter, buttons on the meter.
- This ability for a consumer to operate the meter is incorporated in the safe and reasonably practicable guidelines, which also accommodates IHDs or other additional devices.
- We therefore do not propose to take any additional action within this smart ppm work.
- We do want to highlight that an interface can encounter operational issues leading to the ‘perfect storm’ scenario (e.g. No WAN, No HAN, No access), and that suppliers should consider backstop processes for such eventualities.

Q: Do you agree?

14:00-14:15	Welcome, introductions and recap
14:15-15:20	Future arrangements
<i>15:20-15:30</i>	<i>BREAK</i>
15:30-16:20	Future arrangements - continued
16:20-16:35	Current arrangements
16:35-16:50	Microbusinesses
16:50-17:00	Wrap up and AOB

- Ofgem and Citizens Advice co-hosted a self disconnection workshop in November 2014 to discuss causes and potential solution. Key points raised include:
 - Causes of self-disconnection are varied: financial, lifestyle, lack of understanding, location of meter, standing charge build up (eg. over the Summer), and lost, stolen or faulty payment device.
 - Range of potential solutions alongside existing protections, eg improving communications and raising awareness, and opportunities offered by smart technology.
- CitA have ongoing work in place to monitor self-disconnection cases (through the Consumer Service and the Extra Help Unit). They intend to address any issues or areas of concern with suppliers.
- Ofgem continue to hold debt and disconnection meetings with suppliers, where approaches to self-disconnection are also discussed.
- Smart technology and functionality can address many – though not all - of the issues; cf earlier slides on functionalities eg EC/FC. We intend to monitor this.
- The availability of far richer self-disconnection data can greatly help suppliers identify and address self-disconnections, and several suppliers already highlighted this at the self-disconnection workshop. However, the complexities of analysing and appropriately/effectively acting on the data are yet to be fully understood.
- We therefore do not propose to take any additional action within this smart ppm work.

Q: Do you agree?

14:00-14:15	Welcome, introductions and recap
14:15-15:20	Future arrangements
<i>15:20-15:30</i>	<i>BREAK</i>
15:30-16:20	Future arrangements - continued
16:20-16:35	Current arrangements
16:35-16:50	Microbusinesses
16:50-17:00	Wrap up and AOB

We looked into the current issues associated with a change of tenancy – of which there are many – and the extent to which these would be addressed by smart. Issues include:

- Understanding when tenants have left/ entered a property;
- Customer understanding who supplies the property;
- Agreeing an opening / closing read with a tenant;
- Large amounts of fieldwork generated through exchanging meters where necessary

We believe that many of these issues should be resolved or improved through the smart technology, eg. remote meter reads, supplier displayed on meter screen.

- Some consumer behaviours will remain independently of the technology on offer, particularly eg around informing when a tenant has left/ entered a property. The technology in itself cannot change.
- Appropriate and effective consumer communications will remain very important
- However, we do not propose to take any additional action within this smart ppm work.

Q: Do you agree?

14:00-14:15	Welcome, introductions and recap
14:15-15:20	Future arrangements
<i>15:20-15:30</i>	<i>BREAK</i>
15:30-16:20	Future arrangements - continued
16:20-16:35	Current arrangements
16:35-16:50	Microbusinesses
16:50-17:00	Wrap up and AOB

Through the course of our work, we have identified a number of topics/situations - specific to smart ppm - which may need specific consideration in terms of consumer communications.

- We want to highlight these topics/situations as this can be useful for suppliers to consider as they develop their processes and customer journeys.
- Three situations we specifically want to draw attention to:
 1. 'The perfect storm' (eg No WAN, No HAN, No access) scenario
 2. The Change of Supply process – incl. what happens if left on credit mode for some time
 3. Change of Tenancy where the consumer hasn't had the SMICOP experience but is new to a smart meter
- There are known issues with ppm consumer communications in the traditional world, and we expect significant improvements in the smart world – eg through SMICOP.
- We consider that existing obligations and provisions cover the need to provide appropriate information – incl. SLC 28 (information about prepayment meters), safe & reasonably practicable guidelines, SMICoP.
- We therefore do not propose to take any additional action within this smart ppm work.

Q: Do you agree?

Objective	Topic/situation
1	Change of Tenancy where the consumer hasn't had the SMICOP experience but is new to a smart meter.
2	Vulnerabilities potentially affecting the operation of the smart meter (eg buttons on the meter)
3	Availability and use of smart functionalities eg EC/FC, top-up channels
4	Availability and use of UTRN across top up channels
	'The perfect storm' (eg No WAN, No HAN, No access) scenario
5	Debt repayment arrangements on the smart meter - as needed
7	Change of Supply process for both losing and gaining supplier (eg. safeguard process, what happens if left on credit mode for some time, ...)
	Availability and Operation of PINS.

Please highlight any additional topics/scenarios you feel need to be considered

14:00-14:15	Welcome, introductions and recap
14:15-15:20	Future arrangements
<i>15:20-15:30</i>	<i>BREAK</i>
15:30-16:20	Future arrangements - continued
16:20-16:35	Current arrangements
16:35-16:50	Microbusinesses
16:50-17:00	Wrap up and AOB

Current ppm arrangements all apply to traditional and smart meters.

We undertook an exercise to consider if:

- there are any 'compatibility' concerns around the current arrangements in a smart world;
 - any of the current arrangements pose barriers to the effective and beneficial use of smart PPM functionality.
-
- Across all of our stakeholder engagements we asked for views on this.
 - We do not consider that the current arrangements cause compatibility issues or barriers at this stage.

14:00-14:15	Welcome, introductions and recap
14:15-15:20	Future arrangements
<i>15:20-15:30</i>	<i>BREAK</i>
15:30-16:20	Future arrangements - continued
16:20-16:35	Current arrangements
16:35-16:50	Microbusinesses
16:50-17:00	Wrap up and AOB

Context

- The market for prepayment is currently very small for microbusinesses, with some indications of very limited growth in the last 3 years.
- Anecdotal indications of attractiveness of smart PPM for both suppliers and micro business consumers.
- Current protections largely for domestic consumers only.
- Reviewing if & how to apply ppm arrangements to micro-businesses would be a significant undertaking.

Current position

- In the absence of substantial growth, or concrete evidence of future growth, we consider it may not be proportionate to undertake this work.
- We are also mindful of potential interdependencies with the CMA remedies.
- Therefore, at this time, we do not propose to extend any of the arrangements to microbusinesses.

Questions:

- Do you agree with our position?
- If so, should there be an exception for any CoS arrangements under consideration (cf. earlier slides)?

We welcome any evidence, now or at point of consultation, to support your views

14:00-14:15	Welcome, introductions and recap
14:15-15:20	Future arrangements
<i>15:20-15:30</i>	<i>BREAK</i>
15:30-16:20	Future arrangements - continued
16:20-16:35	Current arrangements
16:35-16:50	Microbusinesses
16:50-17:00	Wrap up and AOB

- We may follow up individual points raised today bilaterally with the relevant parties.
- Please get in touch if you have any further thoughts or questions.
- We intend to publish our consultation in the summer.

Ofgem is the Office of Gas and Electricity Markets.

Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

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.