

Smart Prepay for a smarter market

CSE response to Ofgem consultation

23 October 2015

Background

CSE is an independent national charity that shares our knowledge and experience help people change the way they think and act on energy. In 2014 CSE won the national Ashden Award for outstanding contributions to tackling fuel poverty in the UK, in recognition of our practical local work with fuel poor households combined with our research work and influence on national policy.

CSE currently has a Comic Relief funded project targeting and supporting PPM customers in the West of England – providing advice, home visits, debt and advocacy support and help to switch payment method or supplier if desired. CSE is also the UK lead partner in an EU project (USmartConsumer) which is promoting the benefits of smart metering and effective use of In-Home Displays (IHDs) including the benefits and challenges of smart PPMs. Experience from our work suggests that many low income customers like the flexibility of PPM and welcome new smart meter technology. However, in our experience most need some help to understand and interpret the information and use it to reduce their energy expenditure – and certain vulnerable customers will remain resistant and be less likely to benefit.

- 1. Do you agree with our assessment of the Change of Supplier solution as developed by the industry ..including its potential unintended consequences and applicability to all smart meters irrespective of consumer type (dom and non-dom)?**

The proposed change of supplier solution appears reasonable given the problems it is intending to avoid. It is unclear why suppliers are unable to transfer credit on a prepayment meter when consumers change supplier given that they will have to have procedures in place to transfer any outstanding debt. A cost implication does not seem valid as an automated transfer between suppliers should be cheaper than posting a cheque to a customer. Additionally many prepayment customers will have chaotic finances; they may not have a bank account or any funds refunded to a bank account may not be available for the customer to draw on.

Given that all consumers will be switched to credit mode this is an opportunity to introduce a requirement for suppliers to facilitate a change of payment type at the same time as a switch of supplier i.e. from prepayment with supplier one to credit payment with supplier two; currently consumers need to switch supplier and then request a change of payment type.

- 2. Do you agree with our proposal to monitor suppliers' offerings of key smart prepayment functionalities through our Social Obligations Reporting?**

We strongly support proposals to introduce monitoring of suppliers' offerings of smart prepay. Six monthly reporting (or even quarterly) would seem more prudent than annually especially at the start of the mass roll out. First reporting in January 2017 could mean that a

significant proportion of meters had already been installed before any potential problems had been identified. We agree that there should be monitoring of the list of key functionalities as set out in Table 4.

3. Do you agree with our proposed data points for inclusion in the SOR, the frequency and starting point for collection?

We agree with proposed data points for inclusion. We would also like to see the monitoring of where suppliers have supplied an alternative to an IHD; we are concerned that some of these services, although providing the customer with enhanced payment methods, do not provide the real time information available via the IHD and consequently impact on the information available to facilitate energy savings.

4. Areas for no further action

We agree with areas for no further action, although we believe these should be regularly reviewed.

5. Are existing regulatory arrangements fit-for-purpose for a smarter market?

We agree that existing regulatory arrangements are fit-for-purpose for a smarter market.

6. Updating Safe and Reasonably Practicable Guidance.

We agree that this guidance should be updated.

7. Proposed amendments to the Safe and Reasonably Practicable Guidance

We very much endorse point 3.29. Given that all smart meters will have to have a cash card payment functionality, we feel strongly that suppliers should not be able to withdraw this functionality, even with the agreement of the customer. There is a possibility that suppliers may offer customers an 'either or option' to induce customers to give up their key cards although these may be presented as the customer making an active choice. We believe that key card, cash payments should always be available even though the majority of customers may only use these in an emergency i.e. when they have lost their smart phone or where they do not have bank funds available but can borrow cash.

Guidelines for changing a customer to a prepayment meter still specify a minimum of seven days for smart meters due to remote changing of payment method. It is important that the guidance requiring multiple attempts to contact clients is followed and we do not believe that this can be done within seven days (e.g. if the client is on holiday for a fortnight and just forgotten to pay the bill they could return to find they have been switched remotely and cannot easily change back). Currently as the supplier will often need access to the property to change the meter there is a much longer time during which the customer can avoid installation and change of payment status by paying outstanding bills.

We would like to see a requirement for suppliers to be challenged to prove that they have followed this guidance and a requirement for them to return the customer to a credit status

without penalty if outstanding bills are cleared within a limited time period. Consideration should be given to extending the current seven day notice period.

8. Monitoring customers who have actively asked for alternative top-up methods so as not to require cash as a payment option?

We agree this should be monitored?

9. Data points (on cash as a payment option and smart prepay customers)

We agree these should be monitored. But we think there should be more frequent monitoring than annually.

10. Risks and merits of differentials between smart and traditional prepayment tariffs.

Although an initial cheaper tariff for smart prepay would be an additional incentive for customers to accept a smart meter (and give access to cheaper energy) we do have some reservations about this approach given the potential growth in smart prepay amongst non-vulnerable groups. Smart prepay already offers the considerable benefits of additional ways to pay and better visibility of credit balance; offering a cheaper tariff, just for being smart, may discourage customers from using the additional information to make energy savings as they are already saving money. The biggest risk however is that as the overhead costs of continuing to run the necessary infrastructure for the non smart system (which is likely to continue to be needed by vulnerable customers) are passed on to an ever decreasing customer base of the most vulnerable customers. (i.e. that suppliers would feel justified in recouping these costs and hence increasing non smart prepayment tariffs further penalising those most vulnerable and least able to pay). A differentiated pricing system would also be inequitable as the consumer will not necessarily have the option to change to a smart system.

11. Microbusinesses

This is not an area where CSE has particular experience so we make no comment.

12. Phasing out traditional pre-payment infrastructure

While we recognise that it will not be commercially viable for suppliers to provide a traditional prepayment meter service to a small number of customers, we also expect that those clients who are last to install smart meters will be some of the most vulnerable. In particular they will be customers who are digitally excluded (who gain no benefit from the additional ways to pay and/or are resistant to new technology), those with chaotic lifestyles (unresponsive to offers) and potentially those with mental health issues who may be frightened of change or unable to engage with strangers. In these instances taking an approach which requires customers to get a smart meter in order to continue their supply contract would be unreasonable. In our view it would be dangerous and unacceptable to allow suppliers to end contracts and in-effect disconnect properties in this manner.

It is also important to ensure that the market does not evolve such that only one supplier ends up supporting traditional (non-smart) prepayment customers. This could lead to a

disproportionately high tariff for these vulnerable groups. Suppliers should have set obligations on how to engage with these very late adoptors – which includes guidance on involving support agencies.

All suppliers currently providing traditional prepayment meters should be required to maintain this service until they have solved any technical problems so they can install smart prepay in any property that wants one.

For further information contact:

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