

Consultation on Smart Prepayment for a smarter market:
Proposals
Response from Siemens

Statement of Interest

Siemens Managed Services is an independent provider of metering services in the UK, operating in the electricity, gas and water industries. As a SEC Party Member we have been actively involved in the Smart Metering Implementation Programme and the market's move towards smart.

Our interests in pre-payment include operation of the current gas pre-payment infrastructure, which serves millions of households across Great Britain. Furthermore, Siemens offers a Smart Pay-as-you-go product, which is currently supporting approximately 35,000 households with multiple payment channels and a range of functionality to deliver an engaged consumer experience.

Questions and Answers

Questions in black and answers in blue.

Q1 Do you agree with our assessment of the Change of Supplier solution as developed by industry, including in terms of its potential unintended consequences and its applicability to all smart meters irrespective of consumer type (domestic and non-domestic)? If not, please:

- **explain why**
- **put forward suggested alternative(s) to this solution**
- **if relevant, suggest and explain any other action we should take**

Siemens agrees with the assessment of the Change of Supplier solution and has no further points to add here.

Q2 Do you agree with our proposal to monitor suppliers' offerings of key smart prepayment functionalities through our Social Obligations Reporting? If not, please:

- **explain why**
- **suggest and explain any alternative(s)**

Siemens agrees with the proposal to monitor suppliers' offerings of key smart prepayment functionalities through the Social Obligations Reporting mechanism. In a competitive market, one would expect participants to develop such functionality as standard, or risk losing their customers. However, one cannot overlook low levels of engagement in the market, particularly from pre-payment customers. It therefore seems sensible to review activity and only intervene with a mandate if suitable progress is not being made against a set of basic requirements.

Siemens would suggest avoiding being too prescriptive when considering the functionality being offered, given the need for innovation and encouraging greater levels of engagement from customers. There have been some innovative approaches to Smart PAYG in the foundation market to date and Siemens has been active in supporting the industry with a product that provides all the functionalities outlined in the reporting obligations. Being too prescriptive in information gathering requirements could be interpreted as a need to align to a set of minimum industry requirements, which will not be good for competition.

Q3 Do you agree with our proposed data points for inclusion in the SOR (on the availability of key smart prepayment functionalities), the frequency with which we propose to collect them, and the starting point for collecting them? If not, please:

- explain why
- suggest and explain any alternative(s)

Please see our response to question 2.

Q4 Do you agree with our assessment on those areas where we do not propose to take any further action. If not, please:

- explain why
- suggest and explain any action we should take

Siemens agrees with OFGEM's assessment.

Q5 Question 5: Do you agree with our assessment that the existing regulatory arrangements are fit-for-purpose for a smarter market, and that they pose no undue barrier to innovation? If not, please:

- explain why
- suggest and explain any action we should take

Siemens agrees with OFGEM's assessment.

Q6 Do you agree with our proposal to update the Safe & Reasonably Practicable Guidance? If not, please:

- explain why
- suggest and explain any alternative action we should consider.

Siemens agrees with the proposal to update the Safe & Reasonably Practicable Guidance. Any offer of additional payment channels should give due consideration to a customer's ability to use them and use them reliably, without risk.

Q7 Do you agree with our proposed amendments to the Safe & Reasonably Practicable Guidance? If not, please:

- explain why
- suggest and explain any alternative amendments we should consider.

Siemens agrees with the proposed amendments to the Guidance document as outlined in Appendix 4.

Q8 Do you agree with our proposal to monitor, through our Social Obligations Reporting, the number of smart prepayment consumers who have actively asked for alternative top-up methods so as not to require cash as a payment option? If not, please:

- explain why
- suggest and explain any alternative amendments we should consider.

Siemens agrees with the proposed approach.

Q9 Do you agree with our proposed data points for inclusion in the SOR (on cash as a payment option and smart meter consumers on prepayment), the frequency with which we propose to collect them, and the starting point for collecting them? If not, please:

- explain why
- suggest and explain any alternative(s)

Siemens agrees with the proposals.

Q10 Please provide any views on the risks and merits of differentials between smart and traditional prepayment tariffs. Please also provide views on mitigating actions that could be taken by parties, including by Ofgem, to address any perceived risks.

Siemens is supportive of the general principle of ensuring that all prepayment tariffs reflect their underlying costs. Where smart metering provides the opportunity to deliver cost savings to prepayment customers, then Energy Suppliers should be free to pass these benefits on. Furthermore, we would agree with OFGEM's proposed approach to ensure that where potential differences are identified they are justified, thus mitigating the risk of inappropriate differentials that would be unfair to traditional prepayment customers.

Q11 Do you agree with our proposed approach to micro-businesses? If not, please:

- explain why
- provide any evidence to support your position
- provide details on which existing arrangements we should consider extending to micro-business consumers, and why

Siemens agrees with the proposals.

Q12 Please provide any general views on phasing out the traditional prepayment infrastructure

Siemens would advocate a gradual introduction of smart meters operating in prepayment mode, which is aligned with the overall roll-out profile. Whilst we recognise that Smart PAYG offers advantages to end consumers, satisfaction levels amongst existing prepayment customers are consistently found to be high in independent surveys. The technology has proven both scalable and reliable and this infrastructure will continue to be relied upon for many years to come; particularly for those for whom a smart meter is not feasible and those who choose not to accept the offer of a smart meter.

For any questions or further information on Siemens response to this consultation please contact:

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