

22 October 2015

Bart Schoonbaert  
Senior Manager  
Consumers & Sustainability  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Email: [alisonrussell@utilita.co.uk](mailto:alisonrussell@utilita.co.uk)

Switchboard: 01962 891158

Dear Bart,

**Utilita response to consultation: Smart prepayment for a smarter market, Ofgem's proposals**

Thank you for the opportunity to respond to the above consultation document. Utilita is content that this non confidential response should be placed on the Ofgem website and in Ofgem's library.

As a prepayment supplier, Utilita supports the principles underlying the work undertaken by Ofgem to ensure that prepayment customers are protected and can access a range of competitive tariffs. Utilita believes strongly that smart meters and the smart rollout are of most benefit to prepayment customers, who need the inherent flexibility of approach offered by the technology.

Utilita also believes that it is important to maximise both the flexibility of approach offered to smart prepayment customers and the functionality available to them. We have always supported the interests of prepayment customers and continue to do so. We believe that the licence protections currently afforded to customers are sufficient where properly implemented, but some provisions (for example, some of those delivered by RMR) are unduly restrictive. We would not wish to see further detailed rules applied without full consideration for possible unintended consequences.

We welcome Ofgem's recognition in the proposals that industry has already generated significant improvements to ensure the regulatory arrangements are fit for purpose in a smarter market.

The nature of the GB smart metering solution and the supporting infrastructure does mean that there may be instances where there is a no Wide Area Network Communications situation (no WAN). Arrangements are already in place to ensure that customers can continue to top-up their prepayment credit by using an UTRN. This technology is well tested and is successfully in use in Ireland, which gives a high degree of confidence in the robustness of the solution.

Where a no WAN occurs during the change of supplier process, this does pose an additional risk to customers' ability to top-up once the supply has moved to a new supplier pending restoration of WAN. The industry has agreed an approach of switching customers to credit mode to mitigate this impact. While this does address the immediate issue it is not without consequences which should not be overlooked. We have addressed the individual questions from the consultation below, and in some cases we have also noted points that we also believe need addressing to deliver the benefits.

**1) 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)?**

Utilita's approach, in accordance with industry practice on SMETS1, is to transfer any switching smart meter customers into credit mode upon loss of supply. In most circumstances, mode changes are successful. However, there are often meters which do not complete this process, normally due to there being no WAN available.

Where this has been the case, the maintenance of the SMETS1 meter will migrate to either the Smart Meter Service Operator (SMSO) or the connected new Supplier. Where the asset is migrated to SMSO they will look to continue to action the change of mode request in accordance with the new supplier's instructions. Where this is unachievable the customer's asset will remain in pre-payment mode.

Once the outgoing supplier's loss date has passed, asset data will no longer be sent to them and visibility of the asset in its current state is not available. Furthermore, if the meter remains in pre-payment mode upon switch and the customer, due to credit issues, loses supply, the new supplier will be unable to assist them.

Under SMETS1, the SMSO can offer emergency support such as issue of UTRNs, increasing the number of options available to support a customer in difficulty. Under SMETS2, security key issues mean that UTRNs provided will have incorrect keys and will be rejected by the meter. As there is no longer an SMSO function (as is the case under SMETS), this will restrict the options the supplier can use to help the customer. This scenario brings with it a high likelihood of meter removal or site visit on transfer

The DCC have yet to provide a robust process for mitigating the risks of pre-payment customers having no WAN in a SMETS2 environment. In SMETS2, WAN coverage is expected to be good, but thousands of customers without WAN will be affected by this. In particular, in the most recent WAN coverage update 20-30% of customers in each of the Communications Service Provider areas are expected to have no or limited WAN access in the next five years.

SMETS1 meters will still be in commission on sites when the DCC solution is made available. If this is the case, this could cause several issues. Some suppliers are unable to maintain SMETS1 meters in prepayment mode, as they have not entered into terms with all SMSOs. Utilita believes that this is at least in part due to a lack of common terms between SMSOs, and a degree of inertia. In this case, if there is a fault with the meter and the customer remains in prepayment mode the supplier would have to attend. In addition, a customer who wishes to change from credit into prepayment mode when changing supplier might incur a significant debt until this issue is resolved.

Utilita is generally supportive of the proposed approach, but the unintended side effects must be addressed for it to be effective. Utilita believes that for this proposal to deliver the intended benefits to customers, Ofgem and the DCC also need to set out viable solutions for SMETS1 and SMETS2 meters and No WAN being available for effective CoS and mode change. This will enable stakeholders to be confident that this new proposal will indeed work in the real environment.

Ofgem has worked with industry to achieve the progress to date in this area, however, we believe that in order to fully deliver these proposals, a voluntary approach to coordination of SMSO terms may not be sufficient.

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

Utilita broadly agrees with this proposal. It is important that Ofgem does monitor the market and products available. The changes to the SOR reporting as a whole are quite extensive and will require suppliers to collect additional data and report on it. It is important that any new and ongoing reporting requirements placed on suppliers are proportionate and that information collected is used to inform policy decisions.

All reporting and evidence collection has a cost associated, and it is important to ensure that additional costs are applied only when necessary and in a cost effective manner.

**3) 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?**

Utilita is not opposed to the addition of new data points in the reporting, but the changes to the SOR reporting as a whole (not just in relation to the chapter 2 question) seem extensive. We welcome that Ofgem has considered frequency of collection, but we would also refer to point 2 above.

**4) Do you agree with our assessment on those areas where we do not propose to take any further action?**

We agree with the areas which are identified as requiring no further action. Utilita is also of the view that some of the detailed proposals identified as requested for data collection and reporting will be difficult to achieve and of limited value.

**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?**

Utilita generally agrees that this is the case in the areas assessed by this consultation at present. However this should be kept under review. Utilita also believes that other aspects of the regulatory regime impact suppliers' ability to innovate and these should also be kept under review. In this context we welcome the work of the CMA to date.

**6) Do you agree with our proposal to update the Safe and Reasonably Practicable Guidance?**

Utilita is content with the proposals, but consider it is important to confirm that the drafting may not have unintended consequences.

**7) Do you agree with our proposed amendments to the Safe and Reasonably Practicable Guidance?**

The proposals are generally in accordance with expectations. We note in particular the inclusion of additional examples of factors to be taken into account.

While we appreciate that this is guidance rather than mandatory, we would wish to see the guidance framed in terms of factors that a supplier should reasonably be able to take into account. We agree that a customer should receive good quality information to enable them to make an informed decision, but the customer must be the best judge of their circumstances. This is particularly relevant when considering, for example, a customer's ability to maintain access to their mobile phone account.

**8) Do you agree with Ofgem's 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?**

Utilita appreciates that understanding how customers use or would like to use payment methods is important for Ofgem in terms of informing policy decisions. However we are concerned that the proposed information - the number of customers who have actively requested alternative payment methods - could be hard to collect and report. For example, Utilita offers a wide range of top-up alternatives which are available to all customers and fully explained in the user manual. Customers therefore do not need to make a request.

The information being sought would be made through call centre contacts with customers. This would require additional field(s) on customer service screens, underlying system changes and training of advisors. These system changes would be required at a time when all suppliers' internal change teams are involved in major industry developments. The approach also assumes a consistency of payment channel, which may not be the case. Anecdotal evidence indicates while this may be true for some customers, others will use different approaches at their convenience.

It may be more appropriate to consider customers' current top-up behaviour by method. If the information required is around customers' potential preferences, it may be that a customer survey of a sample of relevant customers would be a better approach.

**9) Do you agree with Ofgem's 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?**

Utilita broadly agrees that the data points proposed for inclusion in the Social Obligations reporting would be deliverable, albeit with associated costs. However, as set out above, we do have concerns that some items may not be necessary or, as in the case of 8A.27 be extremely difficult to deliver and require redrafting.

**10) 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.**

As set out above, Utilita specialises in smart prepayment, and the tariff available to its smart prepayment customers is its best tariff.

**11) Do you agree with Ofgem's proposed approach to micro-businesses?**

This question is not applicable to Utilita as we only supply domestic premises.

**12) Please provide any general views on phasing out the traditional prepayment infrastructure?**

Utilita is of the view that the traditional infrastructure may well be required for a longer period than is generally anticipated. The timing for smart rollout to all customers by 2020 is challenging, both from the perspectives of WAN coverage and numbers of meter to be installed to customer acceptance in some cases.

We agree that provisions will be required to protect the interests of legacy prepayment consumers. However, we do not believe it is possible to yet define requirements. Energy–UK suggests that there will be a need for a dedicated mini-project under DECC/Ofgem leadership to consider requirements and lead the necessary work. We believe this would be a sensible approach, and that the working group will need to include a good mix of stakeholders generally. While not an immediate priority, we would agree that this should be included in the forward workplan.

If you have any questions on this submission or would like to discuss any points in more detail, I would be happy to help.

Yours sincerely,

*By email only*

Alison Russell  
Head of Regulatory Affairs