

Modification proposal:	<b>Supply Point Administration Agreement (SPAA) Change Proposals (CP): 16/334: Introduction of Smart Prepayment Change of Supplier Exceptions Process</b>		
Decision:	The Authority <sup>1</sup> has decided to approve <sup>2</sup> this modification <sup>3</sup>		
Target audience:	SPAA Parties, SPAA Panel and other interested parties		
Date of publication:	20 December 2016	Implementation date:	21 December 2016

## Background

In our decision document "Smart Prepayment for a Smarter Market"<sup>4</sup> we set out that, following a switch, smart prepayment meter (SPPM) customers could be at risk of going off-supply should the gaining suppliers not be able to establish communications with the meter. In this scenario the gaining supplier would be unable to load their security credentials and so the meter would consider the customer to be with the losing supplier; however, all industry systems would consider the customer to be with the gaining supplier. The customer would therefore not be able to top-up their PPM credit.

To prevent this risk from materialising we stated our support for industry's proposed solution of putting the meter into credit mode prior to the switch. We also supported industry's proposal to implement this by raising modifications to the SPAA and Master Registration Agreement (MRA), and for this solution to be extended to all domestic and non-domestic consumers.

| The related MRA modification, MAP CP 0275<sup>5</sup> was implemented on 3 November.

## The modification proposal

Change Proposal (CP) 16/334, "Introduction of Smart Prepayment Change of Supplier Exceptions Process," was raised by E.ON in April 2016. This modification proposes to introduce a new mandatory schedule into the SPAA that requires suppliers to take all reasonable steps to change the mode on a smart meter<sup>6</sup> from prepayment to credit in advance of the new supplier start date; thereby ensuring continuity of supply following a switch in the event of communication issues between the gaining supplier and the smart meter.

Where the change of mode command is not successful, and the meter stays in PPM mode, the proposed schedule also includes an exception process. This will allow the new supplier to request one or more fixed balance Unique Transaction Reference Numbers (UTRNs) from the old supplier. A fixed balance UTRN is essentially a code that, when punched into the meter, will put credit onto the meter thereby enabling energy to be supplied. The old supplier must provide this free of charge to the new supplier and must continue to provide Fixed Balance UTRNs for a period of 90 calendar days following the date they ceased being the supplier to that meter point.

<sup>1</sup> The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

<sup>3</sup> 'Change' and 'modification' are used interchangeably in this document.

<sup>4</sup> Ofgem, *Smart Prepayment for a Smarter Market*, Ofgem, 2016:

[https://www.ofgem.gov.uk/system/files/docs/2016/03/smart\\_prepayment\\_for\\_a\\_smarter\\_market\\_-\\_final\\_0.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/03/smart_prepayment_for_a_smarter_market_-_final_0.pdf)

<sup>5</sup> "MAP CP 0275 – Introduction of Smart Prepayment Change of Supplier Exceptions Process", 25 August 2016: <https://mra.mrasco.com/change/introduction-of-smart-prepayment-change-of-supplier-exceptions-process/>

<sup>6</sup> The modification applies to non-SMETS, SMETS 1 and SMETS 2 meters.

The proposer believes this modification will better facilitate the achievement of objective 9.12A.1 of the SPAA<sup>7</sup> by ensuring that SPPM consumers do not go off-supply as a result of the change of supplier event.

### **Change Board<sup>8</sup> recommendation**

At the SPAA Change Board meeting on 20 October 2016, the Change Board voted on the proposed modification. The sum of the Weighted Votes of the Parties which voted to accept the change solution was greater than 65%. Therefore in accordance with the weighted vote procedure,<sup>9</sup> the Change Board considered that CP 16/334 would better facilitate the relevant objectives of the SPAA and therefore recommended its approval.

The SPAA Change Board recommended the modification be implemented one working day after Authority consent is received.

### **Our decision**

We have considered the views of the Change Board and the Change Report dated 11 November 2016 and concluded that:

- implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the SPAA;<sup>10</sup> and
- consenting to the modification being made is consistent with our principal objective and statutory duties.<sup>11</sup>

### **Reasons for our decision**

We consider this modification proposal will better facilitate SPAA objective 9.12A.1 and has a neutral impact on the other relevant objectives.

#### ***(a) the development, maintenance and operation of an efficient, coordinated and economical change of supplier process***

The proposer considers that the benefit of this modification is that continuity of supply would be maintained for the customer. We agree with the proposer's view. By changing SPPM customers' meters to credit mode (and where this not possible, employing an exceptions process that will also maintain supply) it ensures that these consumers will stay on supply should there be any communications issues after a switch. This modification therefore delivers the protections for SPPM customers that we said are necessary in our decision document.<sup>12</sup>

We are pleased that industry has taken forward and implemented this essential protection. However, we consider that industry must act to ensure that any potential unintended consequences of this change are kept to a minimum through clear communication and timely refund of SPPM credit, as set out below.

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<sup>7</sup> SPAA, 9.12A.1: "Development, maintenance and operation of an efficient, coordinated and economical change of supplier process".

<sup>8</sup> Change Board is established and constituted pursuant and in accordance with the SPAA.

<sup>9</sup> The threshold for a change proposal being accepted by relevant SPAA parties is 65%, as set out in clause 9 of the SPAA.

<sup>10</sup> As set out in Standard Licence Condition (SLC) 30.5 of the Gas Supplier Licence.

<sup>11</sup> The Authority's statutory duties are wider than matters which the Change Board must take into consideration and are detailed mainly in the Gas Act 1986.

<sup>12</sup> Ofgem, *Smart Prepayment for a Smarter Market*, Ofgem, 2016:

[https://www.ofgem.gov.uk/system/files/docs/2016/03/smart\\_prepayment\\_for\\_a\\_smarter\\_market\\_-\\_final\\_0.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/03/smart_prepayment_for_a_smarter_market_-_final_0.pdf)  
[https://www.ofgem.gov.uk/system/files/docs/2016/03/smart\\_prepayment\\_for\\_a\\_smarter\\_market\\_-\\_final\\_0.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/03/smart_prepayment_for_a_smarter_market_-_final_0.pdf)

## **Additional comments**

We have previously noted the potential for unintended consequences as a result of changing the SPPM meter to credit mode before a switch, particularly:<sup>13</sup>

- A prepayment customer in credit mode could build up significant debt with their new supplier if the communication issues endure for some time.
- Delays in receiving credit refunds from the losing supplier could cause financial challenges for the customer, as they may need to top up after changing supplier and before receiving the refund.
- Consumers may be put off switching as a result of temporarily losing credit and this not being refunded in a timely manner.

To militate against these risks, both the losing and gaining suppliers need to do all they can to ensure SPPM customers receive the best possible switching experience. To this end, we consider it vitally important that suppliers communicate clearly to customers and return credit in a timely manner.

### Communication

Ahead of any SPPM switch, we expect the gaining supplier to: a) be clear to the customer that switching may result in a temporary loss of credit and, b) obtain an understanding of the impact this will have on the consumer. If cash-flow issues do exist for prospective customers, we would expect the gaining supplier to offer consumer-centric solutions, which may include extending emergency credit or issuing additional 'starting credits' on the meter.

We are aware that if the gaining supplier uses the same Smart Meter System Operator, they may be able to interrogate the meter to determine the level of credit the customer previously had on the meter. In such instances, they may want to honour this credit to ensure the customer has the smoothest possible journey.

The losing supplier can also act to improve consumers' experiences through clear communication. They can advise against buying large top-ups immediately before a switch and of the importance of running down the existing balance before a switch.

### Timely refund of credit

In the traditional prepayment market, credit can continue to be drawn down after a switch, and so there is no need to refund credit. This is not the case with consumers who have SPPM meters. Therefore, the losing suppliers will need to refund any remaining credit when a customer changes supplier.

The practical effect of this is that if a consumer needs to top up while awaiting a refund, they are in effect temporarily paying twice. This could cause financial difficulties for some consumers, for example, those managing a tight budget. Therefore, it is vitally important for suppliers to provide timely refunds to consumers.

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<sup>13</sup> Ofgem, *Smart Prepayment for a Smarter Market*, Ofgem, 2016:  
[https://www.ofgem.gov.uk/system/files/docs/2016/03/smart\\_prepayment\\_for\\_a\\_smarter\\_market\\_-\\_final\\_0.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/03/smart_prepayment_for_a_smarter_market_-_final_0.pdf)

**Decision notice**

In accordance with Standard Licence Condition (SLC) 30 of the Gas Supplier licence, the Authority hereby approves modification proposal SPAA 16/334: "Introduction of Smart Prepayment Change of Supplier Exceptions Process".

**Anthony Pygram****Partner – Consumers and Competition**

Signed on behalf of the Authority and authorised for that purpose