

Energy Saving Trust Response to Statutory Consultation: Extending protections for non-E7 restricted meter customers (SLC 22G)

Energy Saving Trust is pleased to respond to the Ofgem Statutory Consultation: Extending protections for non-E7 restricted meter customers (SLC 22G).

Energy Saving Trust is an independent organisation dedicated to promoting energy efficiency, low carbon transport and sustainable energy use to address the climate emergency.

We deliver programmes on behalf of UK government and all three devolved administrations.

Of particular relevance to this consultation is the fact that, Energy Saving Trust delivers the Home Energy Scotland advice service on behalf of Scottish Government. Home Energy Scotland is a network of local advice centres covering all of Scotland whose expert advisors offer free, impartial advice on energy saving, keeping warm at home, renewable energy, greener travel, cutting water waste and more. Home Energy Scotland interacts with tens of thousands of vulnerable customers each year in Scotland.

As examined in the Citizens Advice Scotland 2018 report “Hard-Wired Problems: Delivering effective support to households with electric heating”¹, delivering advice on restricted metering issues is complex, and requires dedicated advice tailored to each household’s exact metering and electrical circuitry arrangement, heating system, energy consumption profile as well as their literacy of energy bills. These customers do not have the same tools to compare pricing, such as price comparison websites, and have limited tariff options that match their metering system.

Over the last year, Energy Saving Trust on behalf of the Scottish Government has worked to improve the advice provision available to households in Scotland through Home Energy Scotland. This work included electing and training Electric Heating Champions from the Home Energy Scotland advice network, enabling us to offer more in-depth, handholding advice to those living in electrically heated homes. This advice not only focuses on how to control and manage electric heating systems, but also on alternative heating options and advice around meters, tariffs and suppliers, including restricted metering.

Through Home Energy Scotland’s work engaging customers and providing fuel bill, heating system and energy efficiency advice, Energy Saving Trust identified and reported to Ofgem energy suppliers failing their obligations as part of the CMA Response, as reported in the recent Ofgem Compliance Engagement² and as reported in paragraph 29 of this consultation.

Energy Saving Trust welcomes the proposed extension to the existing protections, but are disappointed by what we perceive as a missed opportunity to both address the criticisms of the current protections, and to widen the protections to prepayment meter customers.

As evidenced in Changeworks’ recent report “Supporting consumers on restricted meters in Northern Scotland”³, the current protections are not well known by customers nor energy suppliers themselves, or are misunderstood or misinterpreted.

In addition, Energy Saving Trust is concerned that the smart meter roll out will not fully resolve the challenges faced by restricted meter customers. As it stands, twin-element/5-terminal meters are the only type of variant smart meter that would be available to restricted meter customers, as these have separate contactors within them to allow storage/water heating to be on separate electrical circuits. Our understanding is that the energy supplier can then programme this meter using timers to energise storage heating/water heating circuits at set times. Any consumption on this circuit is therefore separate from other electricity use, enabling the consumer to be billed on a different tariff rate for their heating consumption.

¹ <https://www.cas.org.uk/publications/hard-wired-problems>

² <https://www.ofgem.gov.uk/publications-and-updates/ofgem-closes-compliance-engagement-bulb>

³ https://www.changeworks.org.uk/sites/default/files/ImprovingConsumerOutcomesFund_Report_April2020.pdf

This variant smart meter is the only one that would allow for smart restricted metering infrastructure. However, it is unclear when these variant smart meters will be available in the supply chain⁴.

More importantly, though, is the question of whether these meters would encourage innovative tariffs in the marketplace. With twin-element/5-terminal smart meters, the DNO remains responsible for energy availability, which does not incentivise energy suppliers to create tariffs that follow wholesale prices and provide demand side management. This would be rectified if DNO control was removed and replaced by a 24-hour supply (i.e. a single rate or E7-type meter).

However, SSEN particularly remains reliant on RTS in more remote areas due to the significant cost savings from avoiding grid reinforcement work⁵. It is therefore unclear whether or not reliable, 24-hour supply electricity for the load demand required by storage heating will be available to these customers, without additional charge.

Finally, we would seek clarity on what customers who do choose to move to a single rate tariff without changing their meter arrangement, under this protection, will face after the protection eventually expires. Will these customers have any right to access the same tariffs as single MPAN households, or will they be penalised as before with disparate tariffs, double standing charges, or forced to pay for meter replacements?

Energy Saving Trust does not support the view that all customers on restricted meters should change their meter. This is because some customers will face little benefit in return for a significant amount of disruption, and other customers due to their specific heating requirements, will not find a financially better option away from restricted metering and tariff.

For customers where moving tariff is obviously financially beneficial, we would encourage householders to explore options of changing their meter first, rather than apply for a single rate tariff while retaining a dual MPAN meter arrangement as per this protection.

This would help to avoid the issues that we have seen to date with energy suppliers being largely unaware of, or failing, their duty to customers, and the billing issues that arise from that. This includes failures to move multiple MPANs from the Electricity Central Online Enquiry Service (ECOES) when switching, as well as charging customers multiple standing charges. In addition, however, single rate tariffs are not usually the best available tariff for customers with storage heaters, who may have the lowest bills from best available tariff for an E7-type meter arrangement.

For customers where there is more ambiguity around whether a meter change would be financially advantageous, Energy Saving Trust is encouraged by the protections that allow customers to move back to their restricted meter tariff if they have switched and found it was not as they expected.

To resolve some of the criticisms of the current protection, Energy Saving Trust recommends the introduction of stronger and more prescriptive guidance to energy suppliers from Ofgem on the duty of energy suppliers to identify and actively communicate with their restricted meter customers.

In 2017, in response to questions from energy suppliers regarding SLC 22G.9, Ofgem stated its preference for a principles based approach⁶. As the public and even some energy suppliers, remain unaware of the protection and restricted meters more generally, it appears this approach has not worked as well as anticipated.

1. We suggest a stricter Obligation to provide information in condition 22G.9 that energy suppliers must identify and actively communicate to their restricted meter customers using plain English.

A customer-tailored communication must explain:

- the customer's specific meter arrangement, how it works and how it is billed

⁴ <https://www.energy-uk.org.uk/files/docs/Policies/Smart%20Meters/TheFutureofRTSFebruary2020.pdf>

⁵ <https://www.ssen.co.uk/WorkArea/DownloadAsset.aspx?id=19155>

⁶ https://www.ofgem.gov.uk/system/files/docs/2017/02/suppliers_letter_for_restricted_meter_remedy_provision_of_information_to_rm_custs_final_20_feb_2017.pdf

- their current energy consumption profile and how it differs from the expected “ideal” restricted meter profile (i.e. the 80/20 split)

Supporting the communication should be advice on how best to control their heating system, and other electricity use, to maximise the off-peak/heat/control rate, as well as general energy saving advice to help reduce their consumption.

It must be clear to the customer that their current set up does not allow them to have the widest access to the market, and the steps they can take to improve access, including details of this protection as well as the meter change process should they wish to pursue this.

Free phone and e-mail support, including a direct line to customer service advisors specifically trained in electric heating and restricted meters, must be available.

In this context, Energy Saving Trust supports Citizens Advice response to the original protection consultation under ‘Information for customers’⁷.

2. EST supports expansion of the current protections to pre-payment meter customers.

Ofgem suggest that the PPM price cap already protects these customers. However, protecting them from the maximum tariff is not the same thing as ensuring that these customers are on the best available tariff for their needs.

The table below provides an annual electricity bill scenario for a prepayment customer under different single rate tariffs. It would, of course, be better to compare restricted meter tariffs against single rate meter tariffs but unfortunately, neither Scottish Power nor SSE’s restricted meter tariffs for prepayment customers are publicly available.. We have instead illustrated this point by comparing the single rate tariffs that are available for those on prepayment meters between different energy suppliers. By being able to switch energy supplier, prepayment customers can benefit financially. However, restricted meter prepayment customers are unable to switch under the same protection as credit customers.

Example tariffs of single rates in the table below, with estimated energy used for a detached bungalow of 19,128kWh per year.

Table 1 Annual electricity bill scenario for prepayment customer under different single rate tariffs, for detached bungalow

| | | | |
|--------------------------|-------------------------------|------------|---------------|
| £0.1720 | Standard rate (single tariff) | 19,128 kWh | £3,289.87 |
| £0.3086 | Standing charge | 365 days | £112.64 |
| <i>Total</i> | | | £3,402.51 |
| £0.1691 | Standard rate (single tariff) | 19,128 kWh | £3,234.21 |
| £0.3005 | Standing charge | 365 days | £109.68 |
| <i>Total</i> | | | £3,343.88 |
| <i>Difference</i> | | | £58.63 |

For prepayment customers the ability to engage and switch between suppliers is just as important as it is for credit meter customers. As such, PPM customers should have the same access to do so. If these protections are not expanded some PPM customers will continue to be blocked from accessing the best available tariff for their energy needs.

⁷[https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Energy%20Consultation%20responses/Citizens%20Advice%20response%20to%20the%20proposed%20Energy%20Market%20Investigation%20\(Restricted%20Meters\)%20Order%202016.pdf](https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Energy%20Consultation%20responses/Citizens%20Advice%20response%20to%20the%20proposed%20Energy%20Market%20Investigation%20(Restricted%20Meters)%20Order%202016.pdf)

3. Finally, **Energy Saving Trust would welcome further clarity from Ofgem on what happens to customers post protection period, as well as what happens post RTS.** Specific areas where further clarity is required are as follows:
- Even if further evidence does support the claim that smart meters solve the issues surrounding restricted meters, not all households will accept a smart meter. Will customers who have switched to single rate tariffs remain protected by “grandfather rights” or, will they incur penalty, for example, double standing charges, the day after the protections end?
 - Should customers wish to switch supplier after the protection period, will their incumbent energy supplier support them with free of charge meter changes to enable them to switch without penalty?
 - The Radio Teleswitch Service is due to expire in March 2021⁸, with a current request to extend this to March 2023, but in either case, possibly before the smart meter roll out will be completed. It is currently unclear how customers with RTS meters will be affected by the end of this service. Currently, outside of off-peak times, any appliances connected to the off-peak meter will not operate, so customers rely on DNO signalling through RTS to operate their heating and hot water systems. Responsibility for the practical aspects, for example – are customers put to default heating times, or are they given 24-hour supply – likely remains with the DNO, however, energy suppliers must plan for how customers currently served by an RTS meter will be affected.

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⁸ <http://www.radioteleswitch.org.uk/status.html>