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Dear Arina,

RE: Statutory Consultation - Self-disconnection and self-rationing final proposals

Thank you for the opportunity to comment on the above consultation. Utilita's submission comprises this letter, Appendix 1 which offers views on the detail of the proposed licence conditions and Appendix 2, which provides confidential business information to support the points outlined in our letter and Appendix 1.

About Utilita Energy

Utilita Energy Limited (Utilita) is a smart prepayment energy supplier, specialising in providing an excellent smart service to a previously poorly served market sector. We have been installing smart meters for our customers since 2008, and SMETS meters since 2013. Our portfolio is around 95% prepay customers, and of those, approximately 90% have smart meters installed operating in smart mode.

In terms of non-smart customers, we have a small portfolio of legacy customers (many of whom are also prepay), who are either awaiting install, awaiting an appointment or who have refused a smart meter subsequent to sign up¹. We also have a small number of customers for whom a smart meter cannot be installed.

We can draw from over 12 years' experience of using smart technology to identify the needs of, and provide the right support to, some of the most vulnerable energy consumers in Great Britain. Many of our customers are from low income households, and we are alert to the issues around self-disconnection and the needs of customers in payment difficulty.

We already provide Emergency Credit at £15 per meter and extensive Friendly Credit between the hours of 14:00 and 10:00 the next working day. In addition, we offer a self-service discretionary credit option (via our My Utilita App, known as Power Up) to our prepay customers who meet modest criteria, and can also provide further assistance via our Extra Care Team (ECT) for our most vulnerable customers. The ECT is also trained to

¹ Please note that acceptance of a smart meter is a key element of our core product offering, and a Principal Term of our contract. These customers are therefore in technical breach of the contract they have accepted. While this is the case, we continue to manage these customers sympathetically.

provide customers with tailored energy efficiency advice and to signpost customers appropriately, for example, to StepChange where broader debt advice is needed. The ECT is also alert to other signs of difficulty with customers, that might indicate referral for an ECO3 consultation might be appropriate.

The My Utilita App helps customers understand and manage their energy use and account, in addition to the IHD. Our services also allow prepay customers to top up through a wide range of routes, including by App, online, by mobile, text, IVR and the usual cash/Paypoint options.

The extensive range of services that we deliver to our customers, plus the help that we offer to our vulnerable customers who may be in difficulty, shows that as a company, Utilita does support our vulnerable customers effectively.

Our views on the Consultation Proposals

We support many of the principles set out in the document. We demonstrate this every day in our business as usual practices. We also agree that the same level of support is not necessarily provided by other suppliers to their customers. However, we disagree with Ofgem's approach to impact assessment for these proposals.

We have previously mentioned that from our experience, the large majority of self-disconnections are due to customers deliberately self-disconnecting, through choice, or lifestyle (such as holiday homes, vacant homes, no heating required in the summer months). However, the new proposed requirement to provide adequate support to customers who are self-disconnecting due to lack of credit means that suppliers will have to contact any customer that disconnects to ascertain the reason for the disconnection. This would amount to a large increase in our cost to serve.

We already extensively offer Friendly Credit, Emergency Credit and ASC (via customer self-serve through our App and IVR, or through a live agent, via our Extra Care team). We provide ample customer messaging about these services through our sales channels, website and through proactive prompts on our App and in our call centre scripts. These are services that are used by our customers and we have greater-than-average levels of customer contact as a result of this. Where customers already know of these services, and use them, suppliers should not be obliged to remind customers on an "ongoing and continuous basis" as it will not be of additional help.

We agree that these services should be offered, and one of the ways they can be offered is when the customer disconnects. But not every time they do so. The benefits of smart meters, with the appropriate customer consents, means we have access to near-real time data. This allows us to view and respond to self-disconnections as soon as they happen. If we are required to contact each prepay smart meter customer who self-disconnects, this could be multiple times each day, week or month and would be considerably costly and onerous. Our costs would be disproportionate when compared to a supplier who relies on traditional meter data or smart meters with monthly meter reading consent, where they would only be required to respond to a customer self-disconnecting at most, once per month (at the time they receive the historic data).

Ofgem should recognise the benefits of proportionality in their licence drafting which allows a supplier to decide how best to get this message across to their customers in a way that has the greatest impact. For example, in the proposed drafting of SLC 27A.8, the term "at an appropriate time" is used to allow for suppliers to determine the most

effective time to deliver information relating to the friendly hours credit and emergency credit services. This would be similar to Ofgem's approach to the Customer Communications Principles, particularly the "Key Prompt Points" approach and consistent with the principles-based regulation and provide a light touch regulatory approach in a competitive market.

The costs of such a programme, beyond the activities we already undertake, would be significant. The requirements are not simply to identify customers, but the ongoing delivery cost of then making contact in each and every case and follow up. This may vary widely as use of technology such as text, email and App may not address the demographics in need of help, meaning suppliers must resort to (potentially superfluous) telephone calls to confirm if the original messaging was received. We provide further detail on our customer demographic in our confidential Appendix 2.

Greater focus could then be targeted at customers in vulnerable situations, allowing the supplier services (which are limited) to be provided to those at most need, rather than spread thinly across the whole customer base.

We recognise Ofgem's move away from the implied unlimited requirement on suppliers to offer discretionary credit (renamed Additional Support Credit (ASC)), with Ofgem now intending for suppliers to conduct a case-by-case assessment of every vulnerable customer who self-disconnects or who may indicate that they self-ration, before being obliged to provide an ASC. However, in order for a supplier to successfully carry out an assessment to ensure that the ASC is in the best interests of the customer on that particular occasion, it must make proactive contact with the customer. This licence requirement has been drafted without justification or recognition of suppliers' abilities to fund this. In Ofgem's impact assessment, it does not consider there will be a significant cost for individual industry participants. We strongly disagree with this and have included a summary of our expected costs in the Confidential Appendix 2.

The prepay price caps severely limit a supplier's ability to provide additional support for prepay customers. Prepay meters play an important role in helping customers stay out of debt. As the cost to serve prepay customers increases, without being balanced through the price cap, there is potential that suppliers will seek to avoid the use of prepay meters, or fail to invest in services to support prepay meters, to the detriment of customers who rely on this as a way of avoiding debt.

There may also be concerns over whether these messages would be considered as service messages or marketing under the DPA.

The proposals in the consultation will require suppliers to make extensive use of customer smart data to assess their behaviour and potential difficulties. Ofgem have recognised that suppliers will be required to review their own Data Protection Impact Assessments, however, have made no mention of the unintended impact this may cause on customer consents. Many customers already refuse to allow suppliers to collect granular smart data due to privacy concerns. There has been a growing pressure on suppliers to increase the uptake on gaining customer consents to share their meter data. One of our award-winning services in the app relies on customer consent to better help customers with understanding their energy use. Putting requirements on suppliers to identify self-disconnections, and make proactive contact with any customer that does self-disconnect, may have the unintended consequence of customers opting out of providing these consents. This may also have a knock-on impact on how a customer positively interacts with smart metering.

Our above suggested approach to incorporate supplier proportionality to their approach to offering services, would also address the issue of customer preference. The licence drafting currently has no allowance for the customer to opt out of such communication. In our response to the policy consultation, we asked whether Ofgem had conducted the necessary DPIA for this type of proposal and if so, Ofgem should publish this and allow suppliers an opportunity to respond. This has not been provided.

Lastly, we recognise the role suppliers should play in supporting vulnerable customers, however where self-disconnection and self-rationing are caused by financial vulnerability, suppliers should not be required to take on the role of government to provide a financial safety net for those in our society who need this. ASC offered by suppliers cannot and will not address long term, low income based or severe issues. These are a factor of the welfare system and must be addressed by wider social and governmental policies.

There are a significant number of customers who use our emergency credit and friendly credit services, this would be similar to banking customers, who may use their overdraft facilities consistently.

We hope this submission has been helpful, and we would welcome an opportunity to meet with you and discuss our comments in more detail.

Yours sincerely,

By email only

Faye Widdowson
Senior Regulatory Manager

Appendix 1: Detailed views on the proposals

Take all reasonable steps to identify prepay customers who are self-disconnecting and offer appropriate support

We are generally supportive of requiring suppliers to engage positively with customers around self-disconnection and we operate a number of processes to extensively assist in this regard. However, these processes operate most effectively with our smart meter customers, due to the data delay with traditional meters. We agree that where a traditionally metered customer identifies self-disconnection, suppliers should be obliged to have regard to the information and take all reasonable steps to respond appropriately. We suggest the solution for this issue with traditional meters is actually to replace the traditional meter with a smart meter wherever possible.

There are difficulties with some of the consultation proposals which we have referenced elsewhere in this submission. The first of these is the requirement for customer consent to collect granular smart data. For the purposes of identifying self-disconnection as proposed, monthly or daily data is not sufficient. Secondly, there must be consistent WAN. Intermittent or no WAN is a known issue. This may be due to network coverage, SMSO activity or indeed DCC performance as well as other issues. Without on-demand access to meter data due to customer consent or technical issues, the monitoring of self-disconnection is difficult to achieve.

On this basis, if Ofgem intends to impose these obligations as drafted, Ofgem should state clearly that suppliers will not be held accountable for customers who refuse to share their meter data, or where there is a third party failure, such as the DCC. Equally, where a customer objects to the monitoring and/or contact, there must be an acceptance that suppliers may exclude that customer from future calls at the customer's request.

The introduction of this requirement may lead to unrealistic customer expectations around the regular provision of ASC. The consequences of this may include customers becoming over-reliant on this service instead of better managing their finances. This could lead to disappointment and potential harm when customers have used their emergency, friendly and ASC and have no further safety net.

Should the licence be updated as proposed:

- We would welcome guidance around how Ofgem would define "all reasonable steps" in the proposed licence condition.
- We would welcome clarity on the definition of self-disconnection. For example, this includes customers off-supply for longer than xx in a given period.
- We support Energy UK's view that Ofgem should, *"complete a Data Protection Impact Assessment (DPIA) as their proposals require suppliers to monitor all customers, not solely vulnerably customers, which could be considered intrusive. Therefore, we believe Ofgem ought to establish whether such monitoring is consistent with the privacy rules to reduce harm, otherwise suppliers will lack a legal basis for monitoring all self-disconnecting customers."*
- We welcome greater clarity over the definition of self-disconnection where it states: *"where the credit is not easily accessible"*. Does this mean that the customer

cannot use the top up functionality to put credit onto their meter, or does this mean that the customer does not have enough money to credit their meter?

Additional Support Credit for customers who are Self-Rationing

We agree with the more practical obligation to require suppliers to have regard to the risk of a customer self-rationing in their interactions with the customer, and where it is identified, to respond appropriately. But we disagree with the current drafting that we would be required to offer ASC in those instances.

The consultation proposes the following definition:

"When a Domestic Customer deliberately limits its [gas / electricity] use to save money for other areas".

Given that support to one customer imposes costs on others, guidance is needed on the types of costs which are acceptable as 'other areas', and how suppliers could or should access this information. For example, should it be considered relevant whether a customer is seeking to save money to pay for what may be considered optional items, such as TV & broadband packages, cigarettes etc. vs food, clothes and other essentials.

Emergency and friendly credit functions

We have no comments on the current drafting of the licence condition proposals.

In discharging our duty under the proposed SLC 27A.3, where it is technical unfeasible to offer emergency or friendly-hours credit, we should take all reasonable steps to provide the customer alternative short-term support. Ofgem should note our approach to such issues would be to seek to install the customer's smart meter to deliver on ongoing solution. Where the customer refuses this, and hence prevents us from delivering a cost-effective solution, consideration should be given to our ongoing obligation.

We support Energy UK's view: *"We understand this to mean that if, through a supplier's attempt at identifying self-disconnection, they identify a customer as being vulnerable, then on each and every occasion the supplier must decide whether it is in the best interest of the customer to offer them Additional Support Credit. Should the supplier deem that it is not in the best interest of the customer to offer them Additional Support Credit, then the supplier will not be obligated to do so on that particular occasion. Energy UK would welcome clarification from Ofgem on whether our understanding of the intent behind SLC 27A.5 and 27A.7 is correct."*