ofgem Making a positive difference for energy consumers

Smart prepayment for a smarter market

Decision

Publication date: 31 March 2016

Contact: Joshua Wilson, Policy Manager

Team: Consumers & Competition

Tel: 0207 901 7000

Email: consumerpolicy@ofgem.gov.uk

Overview:

Smart meters can lead to better outcomes for prepayment meter customers. They can improve customer service, are more convenient and can reduce the cost of prepayment relative to other payment methods.

Smart prepayment is a main area of Ofgem's Consumer Empowerment and Protection project, which is looking at regulatory arrangements needed to ensure consumers can realise the benefits available from smart meters. We have consulted on measures that we think will help achieve the right outcomes for smart prepayment customers.

This document summarises consultation responses, presents our final decisions for smart prepayment and sets out the next steps for implementing our decisions.

Context

Ofgem's Consumer Empowerment and Protection programme is seeking to identify and, where necessary, act on risks and opportunities for consumers in a smarter market. It forms part of delivering Ofgem's strategic output of achieving high standards – ensuring results and protection for consumers meet the high standards expected of an essential service. It looks to help achieve the consumer outcomes of better quality of service and lower bills.

Smart prepayment was identified as a priority work stream to focus on "getting the basics right" before the mass rollout of smart meters begins.

Associated documents

- Ofgem, December 2015. The future of retail market regulation. https://www.ofgem.gov.uk/sites/default/files/docs/the_future_of_retail_market_regulation.pdf
- The Competition Markets Authority, March 2016. Energy Market Investigation: Summary of provisional decision on remedies. https://assets.digital.cabinet-office.gov.uk/media/56e1974ae5274a036b000018/Energy_PDR_Summary_March_2016.pdf
- Ofgem, December 2015. Proposals to improve outcomes for prepayment customers. https://www.ofgem.gov.uk/sites/default/files/docs/final_consultation_ppm_0.pdf
- Ofgem, September 2015. Smart prepayment for a smarter market: our proposals. https://www.ofgem.gov.uk/sites/default/files/docs/2015/09/ofgem_smart_prepayment_proposals_0.pdf
- Ofgem, June 2015. Prepayment Review: understanding supplier charging practices and barriers to switching. https://www.ofgem.gov.uk//publications-and-updates/prepayment-review-understanding-supplier-charging-practices-and-barriers-switching
- Ofgem, 2014-2015. Consumer Empowerment and Protection – Smart prepayment workshop materials: https://www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/smarter-markets-programme/consumer-empowerment-and-protection
- Ofgem, September 2014. Consumer Empowerment and Protection: Updated Work Programme. https://www.ofgem.gov.uk/publications-and-updates/consumer-empowerment-and-protection-smarter-markets-updated-work-programme
- Ofgem, December 2013. Consumer Empowerment and Protection in Smarter Markets (consultation). https://www.ofgem.gov.uk/publications-and-updates/consumer-empowerment-and-protection-smarter-markets

- Ofgem, July 2013. Consumer Vulnerability Strategy. https://www.ofgem.gov.uk/ofgem-publications/75550/consumer-vulnerability-strategy.pdf
- Ofgem, September 2011. Modification direction (including guidance on the interpretation of "safe and reasonably practicable in all the circumstances of the case"). https://www.ofgem.gov.uk/ofgem-publications/57343/modification-direction.pdf
- Ofgem, June 2011. Spring Package (statutory consultation). https://www.ofgem.gov.uk/ofgem-publications/57387/smart-metering-consumer-protections-package-statutory-consultation.pdf
- Ofgem, June 2010. Debt Review report: key principles for taking ability to pay into account. https://www.ofgem.gov.uk/ofgem-publications/57399/open-letter.pdf

Contents

Executive Summary

Millions of domestic consumers currently use prepayment meters to pay for their gas and electricity. These consumers face particular barriers to accessing better deals in the market. The roll-out of smart meters offers an opportunity to radically improve the experience and outcomes for prepayment customers. 'Smart' prepayment has the potential to lead to lower energy bills and provide greater choice and convenience for prepayment customers.

We have previously identified smart prepayment as a priority area that needs to be got right from the early days of the smart meter rollout. We are therefore keen that regulatory arrangements enable the realisation of the consumer benefits associated with smart prepayment. We want to see consumers receive a better deal than they currently receive on traditional prepayment meters.

Our decisions for prepayment in a smarter market

In general, respondents to our consultation agreed with our view that the existing regulatory framework remains fit for a smarter market. There was also broad agreement that existing protections do not create a barrier to innovation. We therefore do not intend to make any changes in this area. Nevertheless, we do propose to take a number of actions to enable the development of smart prepayment in a way that benefits consumers.

Change of supplier process for smart prepayment customers

Our Switching Programme aims to ensure that the switching process is reliable and fast for consumers. With this in mind, we support the industry's proposed solution to introduce a process that switches prepayment customers to credit mode at the point of switching supplier – in order to address the risk of consumers being off supply. We will support the working group developing the necessary code modifications to the change of supplier process.

We recognise that there may be unintended consequences from switching consumers to credit mode such as access to credit built up prior to switching. The timely refund of credit to customers will therefore be particularly important. We expect both losing and gaining suppliers to consider carefully how they communicate with customers who may need to top up a meter while awaiting a refund.

Monitoring the provision of key smart prepayment functionalities

We will require suppliers to provide us with information on how they are making use of smart prepayment functionality, as part of their Social Obligations Reporting. This will give us greater insight into the prepayment market and how it is evolving. In doing so, we have designed our approach to minimise burdens on suppliers.

In response to concerns expressed by suppliers about possible burdens, we intend to amend our proposals for monitoring the number of consumers relying on non-cash top-up methods. We will consult shortly on these changes to Social Obligations Reporting requirements.

Safe and Reasonably Practicable Guidance

We will amend our guidance on when it can be considered "safe and reasonably practicable" for suppliers to install a prepayment meter or operate a smart meter in prepayment mode. Our aim is to keep pace with technological developments while ensuring that consumers who still need to top-up by cash can do so. Respondents generally agreed with our intentions in this area. We are publishing our revised guidance alongside this decision document.

Microbusinesses

We do not intend to extend any existing or new prepayment protections to microbusinesses at this time. Most respondents agreed that it would not be proportionate to do so based on the current take-up of prepayment in this segment of the market, and the lack of evidence to suggest future growth. Nevertheless, we will continue to monitor the take-up of smart prepayment by microbusinesses and will take action if necessary.

Phasing out the traditional prepayment infrastructure

We agree with stakeholders that there are risks associated with the transition from traditional prepayment infrastructure to smart prepayment. We are keen to ensure that the phasing out of the old infrastructure is done carefully to avoid disrupting prepayment customers, who are more likely to be in vulnerable situations.

We will continue to monitor the number of consumers using traditional and smart prepayment and other developments in the market. We will engage stakeholders as the smart meter roll-out progresses to consider how to best manage the transition.

Smart versus traditional prepayment differentials

Suppliers are required to only charge differently for different payment methods where this reflects genuine differences in underlying costs between those payment methods. Many respondents stated that as consumers switch to smart prepayment, those still on traditional prepayment could face higher tariffs due to the high fixed costs of the traditional infrastructure. We will continue to monitor the price differentials between different payment methods, including between smart and traditional prepayment tariffs.

We note that the Competition and Markets Authority has proposed a transitional 'safeguard price cap' for customers on prepayment meters as part of their provisional decision on remedies for the energy market. This is likely to have implications for price differentials between smart and traditional prepayment tariffs and address some of the concerns raised by stakeholders. We will continue to work with the CMA on their remedy package.

1. Introduction

1.1. In this document we provide an overview of the comments received in response to our smart prepayment proposals published on 23 September 2015. We set out our decisions based on consideration of the responses.

1.2. We also set out key points made by respondents to the areas where we sought views and further information on smart and traditional prepayment differentials and phasing out of prepayment infrastructure. Finally, we set out the next steps for implementing our decisions, as well as providing an overview of related work areas to our work on smart prepayment.

Background

1.3. Our work on smart prepayment is one of the areas that constitute the Consumer Empowerment and Protection programme (CEP)[1]. In scoping the project, we identified prepayment as an area that suppliers needed to get right from the early days of the smart meter rollout.

1.4. Smart meters can significantly improve the experience of prepayment meter customers. Potential consumer benefits include: more convenience and choice in payment top-up methods; greater flexibility in friendly and emergency credit arrangements; and the ability to switch remotely between credit and prepayment modes.

1.5. Smart meters will be able to give consumers better budget management tools such as low credit alerts and high consumption alerts. Smart prepayment consumers will also have access to more information about their consumption through an In-Home-Display (IHD). We also consider that smart meters have the potential to reduce the relative costs of prepayment and facilitate greater innovation and choice of tariffs for prepayment customers. These consumer benefits may make smart prepayment attractive to a broader segment of consumers who may not have considered prepayment in the past.

1.6. We identified seven objectives[2] for our smart prepayment work that recognise the consumer issues with traditional prepayment, and opportunities and risks from smart prepayment. These seven objectives provided us with a framework to consider any new arrangements needed to protect and empower customers on smart prepayment. The objectives are:

[1] Ofgem, September 2014. Consumer Empowerment and Protection: Updated Work Programme. https://www.ofgem.gov.uk/publications-and-updates/consumer-empowerment-and-protection-smarter-markets-updated-work-programme

[2] Ofgem, September 2015. Smart prepayment for a smarter market: our proposals. https://www.ofgem.gov.uk/sites/default/files/docs/2015/09/ofgem_smart_prepayment_proposals_0.pdf

1. Safe, easy and proportionate switching between prepayment and credit.

2. Prepayment as a clear and convenient proposition for consumers.

3. Effective use of smart prepayment functionalities to support consumer budget management and debt prevention (e.g. low credit alerts).

4. Consumers protected from top-up failures.

5. Appropriate emergency and friendly credit arrangements.

6. Robust understanding of self–disconnections and considered use of this information to support consumers.

7. Prepayment consumers switching easily between suppliers with accurate and timely credit transfers or refunds.

1.7. Our work on smart prepayment was organised into two work streams. These sought to:

a. Understand if any new arrangements need to be put in place for consumers to realise the full benefits of smart prepayment

b. Assess if the existing arrangements around prepayment remain fit for a smarter market and whether they present barriers to realising the benefits of smart meters for prepayment consumers.

1.8. We have seen some encouraging developments so far, with new smart prepayment offerings emerging. We expect to see continuing innovation in the market, helping deliver the benefits that smart meters can bring to prepayment consumers.

1.9. In September 2015 we consulted[3] on proposed changes to our smart prepayment protections following extensive engagement with stakeholders, including consumer bodies. This involved meeting suppliers to understand their intentions and progress with developing smart prepayment and stakeholder events to raise issues and test potential solutions.

1.10. We received 20 responses to our consultation. These came from a wide range of parties including large and independent suppliers, consumer organisations, industry groups and other third party organisations. We have published the non-confidential responses on our website alongside this document. We have considered the responses carefully and summarised the main views of respondents in this document.

[3] Ofgem, September 2015. Smart prepayment for a smarter market: our proposals. https://www.ofgem.gov.uk/publications-and-updates/smart-prepayment-proposals

Our regulatory approach to smart prepayment

1.11. Our decisions for smart prepayment focus strongly on monitoring. This reflects that smart prepayment is still in its early stages. We aim to get the balance right between allowing innovation and ensuring the right protections for consumers. Monitoring supports this approach by sending the right signals to the industry and staying up-to-date with market developments so we can act if and where appropriate.

1.12. In response to our CEP work programme[4], stakeholders made it clear that we should allow suppliers to innovate and differentiate themselves competitively to help ensure the smart meter technology can deliver the benefits to consumers. We agree and believe our decisions for smart prepayment reflect this.

1.13. In December 2015, Ofgem consulted on how best to rely more on principles in the way we regulate the retail energy market[5]. We have committed to rely more on general principles rather than detailed rules about what companies can and cannot do. We are currently exploring how we can progress this transition. We have taken this into account in our decisions for smart prepayment.

1.14. While we consider that enabling innovation and competitive differentiation is important in delivering benefits for consumers, it is also important that consumers are appropriately protected. This is particularly important in light of our focus on prepayment consumers in our Consumer Vulnerability Strategy[6]. We consider that we have found the right balance and have introduced protections for consumers to address potentially severe consumer detriment, for example the industry solution for the change of supplier process[7].

[4] Ofgem, September 2014. Consumer Empowerment and Protection: Updated Work Programme. https://www.ofgem.gov.uk/publications-and-updates/consumer-empowerment-and-protection-smarter-markets-updated-work-programme

[5] Ofgem, December 2015. The future of retail market regulation. https://www.ofgem.gov.uk/sites/default/files/docs/the_future_of_retail_market_regulation.pdf

[6] Ofgem, July 2013. Consumer Vulnerability Strategy. https://www.ofgem.gov.uk/ofgem-publications/75550/consumer-vulnerability-strategy.pdf

[7] Section 5A of the Utilities Act 2000 places a duty on the Authority to carry out Impact Assessments where the Authority is proposing to do anything for the purposes of, or in connection with, the carrying out of any function exercisable by it under or by virtue of Part 1 of the Gas Act 1986 or Part 1 of the Electricity Act 1989, and it appears to the Authority that the proposal is "important" within the meaning of section 5A.2. We set out in our consultation document that an Impact Assessment was not required for our smart prepayment proposals. No one challenged this view in their consultation submissions. We therefore consider it unnecessary to conduct an Impact Assessment.

Update on interactions with other areas of work

Smart billing and the Consumer Empowerment and Protection programme

1.15. The Consumer Empowerment and Protection programme was set up to help ensure that the regulatory arrangements facilitate the realisation of the consumer benefits of smart meters, and that consumers are empowered and remain protected in a smart market and in the transition towards it.

1.16. In 2015-16, we have been working on smart billing and smart prepayment which were seen as 'foundation projects' where it was important to get right early on in the smart meter roll out. In August 2015 we consulted on our proposals for smart billing. We are also today publishing an open letter outlining our decisions on smart billing for a smarter market[8].

1.17. We delayed our 'Retail Markets Review for Time of Use' work-stream in the light of the Competition and Markets Authority's (CMA) market investigation, and we will consider what to do next in the context of the CMA's final remedies.

1.18. This year we will consider further the areas of work required to protect and empower consumers in the light of recent developments and priorities in the smarter energy market.

The CMA investigation

1.19. On 17 March 2016, the CMA published their provisional decision on remedies to their energy market investigation[9]. The CMA identified some concerns with the domestic prepayment market. In particular, it highlighted supply-side constraints affecting customers with traditional prepayment meters and weak customer response, both of which are having adverse effects on competition in this segment of the market.

1.20. Our initial view is that our smart prepayment decisions are consistent with the CMA's provisional remedies. We support CMA's focus on the traditional prepayment market segment. We will work with the CMA and provide our views on the provisional remedies and implement the final remedies when they are published later in 2016. In particular, we will consider the CMA's provisional remedy to introduce a transitional price cap for prepayment customers and what this will mean for consumers on smart

[8] Ofgem, March 2016. Smart billing for a smarter market: our decision. https://www.ofgem.gov.uk/system/files/docs/2016/03/smart_billing_for_a_smarter_market_-_final.pdf

[9] The Competition Markets Authority, March 2016. Energy Market Investigation: Provisional decision on remedies. https://assets.digital.cabinet-office.gov.uk/media/56efe79040f0b60385000016/EMI_provisional_decision_on_remedies.pdf

prepayment. We will also stay alert to any possible interactions between the other remedies and our smart prepayment decisions.

Switching Programme

1.21. In November 2015, we launched the Switching Significant Code Review[10]. The objective of the Switching Programme is to improve consumers' experience of switching, leading to greater engagement in the retail energy market by designing and implementing a new switching process that is reliable, fast and cost-effective. In turn this will build consumer confidence and facilitate competition, delivering better outcomes for consumers.

1.22. There are some strong links between the Switching Programme and our smart prepayment decisions (particularly the change of supplier solution for smart prepayment customers). We will ensure that any interdependencies are adequately reflected in the Switching Programme proposals.

Simpler, clearer prepayment meter protections guide

1.23. We are collaborating with Citizens Advice on a project to make frontline advisers more aware of the protections available to prepayment meter customers. The aim is to produce a clear, simple and comprehensive guide for all advisers, which outlines the protections for prepayment customers through supply licence conditions (SLCs) and voluntary industry-agreed principles. More widely, this information will also be useful for prepayment consumers, industry and other interested parties.

1.24. We have engaged extensively with stakeholders on the scope, detail and format of the guide through workshops and roundtable discussions. Particularly, we have engaged with frontline advisers on the issues they face on the ground both for prepayment customers' issues and advisers' own information needs. We will complete our consultation on the guide by end of March 2016. Citizens Advice will test and subsequently publish the consumer and adviser-only content on their website. This will also be downloadable as a leaflet.

Structure of this document

1.25. The document is structured as follows:

[10] Ofgem, December 2015. Moving to reliable and faster switching: Switching Significant Code Review launch statement and request for expressions of interest to participate in Programme workgroups. https://www.ofgem.gov.uk/sites/default/files/docs/2015/11/switching_scrlaunch_17112015.pdf

- Chapter two sets out our views on the change of supplier process for smart prepayment customers and our decision on monitoring smart prepayment functionality
- Chapter three sets out our decision for amending the Safe and Reasonably Practicable Guidance and the collection of information on cash top-ups
- Chapter four sets out our decision on the extension of prepayment arrangements to microbusinesses
- In chapter five we provide an overview of the main suggestions and comments on phasing out of traditional prepayment infrastructure.

2. New arrangements for smart prepayment

Chapter Summary

In our consultation document we set out proposals for new arrangements in two topic areas: the change of supplier process for smart prepayment; and monitoring suppliers' use and offer of key smart prepayment functionality.

This chapter first outlines our decision, and the changes we have made to our original proposals. Respondents agreed with most of our proposals, but we also received specific comments and suggestions. We have carefully considered all of these, and have included below our response to a number of the individual suggestions.

Change of supplier process for smart prepayment

2.1. In our consultation document, we said that smart prepayment customers could be at risk of going off-supply when changing supplier if they cannot top-up. We noted two scenarios that could render the meter inoperable and leave the customer at risk of loss of supply:

- The gaining supplier is not able to access a smart meter, because of a Wide Area Network (WAN) failure, which was left in prepayment mode by the losing supplier at the point of change of supplier (CoS)

- The gaining supplier chooses not to operate smart functionalities (or cannot operate the smart meter in prepayment mode) and the meter is left in prepayment mode at a change of supplier.

2.2. To address the risk of going off-supply, industry participants proposed to adopt the solution of putting the meter into credit mode on CoS. Industry also proposed that this is operationalised through the relevant industry codes for electricity and gas (the Master Registration Agreement (MRA) and Supply Point Administration Agreement (SPAA)). In our consultation document we stated our view that the proposed industry solution was the best way forward. We also stated that this solution should apply to all energy consumers – both domestic and non-domestic – due to the significance of the risks identified.

2.3. Nevertheless, we noted that there may be unintended consequences of the CoS solution. These were:

- A gaining supplier could have a customer with a prepayment contract on a meter in credit mode

- A prepayment customer in credit mode could build up significant debt with their new supplier if the communication issues endure for some time

- Losing suppliers may need to refund remaining credit to a consumer, which may create financial challenges for some consumers who will not have immediate access to this credit.

Summary of respondents' views

2.4. Most respondents agreed with the industry solution of switching the smart prepayment meter to credit mode at the point of a CoS, and for this to be operationalised through industry codes. Respondents generally agreed that this was the strongest mitigation against the risk of a consumer going off supply. Respondents also agreed that this should apply to all smart meters operating in prepayment mode, irrespective of the type of customer being served.

2.5. We received a number of comments on the unintended consequences to the CoS solution. Some suppliers and a consumer group stated that prepayment customers may be deterred from switching, perceiving it as more complex than the current system. This is because consumers will not have access to their credit from their previous supplier and instead will require a refund from their old supplier.

2.6. Respondents made suggestions to address these unintended consequences. They said we should:

- Monitor the market to ensure that smart prepayment does not make more consumers stick with their current supplier because they can't transfer credit

- Investigate introducing a system to allow suppliers to transfer credit, similar to how they currently transfer debt. This would help prepayment consumers with chaotic finances and those without bank accounts

- Consider how to determine the value of credit used by prepayment customers who are 'stuck' on credit mode.

Our view and decision

<u>Switching to credit mode at CoS to ensure continuity of supply</u>

2.7. We agree with respondents that the proposed industry solution is the best way to ensure continuity of supply. This approach should provide the strongest mitigation against the risk of a consumer going off-supply.

2.8. **We therefore support industry's proposal to operationalise the solution by raising modifications to the SPAA and MRA, and for this solution be extended to all domestic and non-domestic consumers.**

2.9. Since our consultation was published in September 2015, a modification request to the MRA has been raised. The MRA Executive Committee (MEC) have since met and agreed to form a joint smart prepayment working group to make a code modification to the SPAA and MRA codes to ensure the change of supplier solution is implemented for both fuels. The working group has had its first meeting and we expect a code modification request to be completed in 2016.

Unintended consequences of the CoS solution

2.10. We agree that the inability to transfer of credit between the losing and gaining suppliers may be confusing for consumers, especially if they are remaining as a prepayment customer with the gaining supplier. However, given the low numbers of smart prepayment meters, there is not enough evidence to suggest that the CoS process will deter consumers from switching supplier in a smarter market.

2.11. We do not intend at this stage to pursue a system to allow suppliers to transfer credit for prepayment. We do not object, in principle, to a centralised payments aggregator that meets the needs of suppliers and delivers better outcomes for consumers. However, based on the evidence available, we do not feel that there is currently a case for us to intervene in the market.

2.12. As noted in our consultation, we expect both losing and gaining suppliers to consider carefully how they communicate with customers who may need to top up a meter while awaiting a refund. The timely refund of credits to customers will therefore be particularly important.

2.13. Where a consumer has built up debt while in credit mode, the existing protections, SLC 27.8 and, where relevant, SLC 25C would apply[11]. When assessing a suppliers conduct under SLC 27.8 and SLC 25C, Ofgem will apply the relevant test to determine whether the behaviour falls short of any of those provisions.

2.14. Regarding the tariff rate applied to consumers for any energy used while they are 'stuck' on credit mode, suppliers should be able to justify any differences in the tariff rate applied to customers. Suppliers should be transparent when communicating this to consumers.

Update on concern raised by the Health and Safety Executive (HSE)

2.15. In our consultation document we noted HSE's concerns about the existence of sub-meters which could result in an uncontrolled flow of gas when the primary meter is re-enabled.

[11] SLC 27.8 requires suppliers to take into account a consumer's ability to pay when setting repayment amounts. SLC 25C is the Standards of Conduct and places a duty on suppliers to treat consumers fairly.

2.16. Several stakeholders said in their responses they were concerned that HSE's solution to address the risk (a site visit before switching to prepayment mode) would eliminate one of the primary benefits and cost savings from smart meters.

2.17. The industry has since been working with HSE to develop a solution that complies with Gas Safety (Installation and Use) Regulations, while allowing the benefits of remote switching. HSE support a risk based approach, proposed by industry, to identify whether a property has a secondary meter. This will allow industry to address the risk of raised by the HSE. Industry has also indicated that part of the risk based approach will include a mechanism for recording and sharing information on premises with secondary meters. We will continue to monitor this issue.

Monitoring provision of key smart prepayment functionalities

2.18. In our consultation document, we proposed to monitor suppliers' offerings of key smart prepayment functionalities and set out proposed changes to our SOR. We noted that the availability of key smart functionality, for example emergency credit and friendly credit, will help improve the customer service that suppliers can provide and can help consumers to better manage their energy bill and protect against self-disconnection. We proposed to collect this information annually.

2.19. We noted in our consultation document that we encourage suppliers to offer these key functionalities in their smart prepayment propositions. This was based on our stakeholder engagement and observation of the market. We stated that we did not see the need to set minimum standards in this area at this stage.

Summary of respondents' views

2.20. Respondents largely agreed with our proposal to monitor, through the SOR, the use of these functionalities. They also broadly agreed with the specific data points for inclusion, the frequency with which we proposed to collect them, and the starting point for collecting them. A supplier suggested monitoring to be a more appropriate solution than mandating certain functionalities.

2.21. A number of suppliers stated that any new monitoring requirements needed to be proportionate and not a burden. One suggested we use our information gathering powers to get more detailed data, rather than introduce more burdensome reporting requirements into the SOR.

2.22. Suppliers in particular questioned how we intended to use the information in the longer term and whether this information will be published, when and in what format. It was also suggested that after implementation, we review how useful the new data points are.

2.23. Some respondents made suggestions for further monitoring in the future. These suggestions included increasing the frequency of reporting at the start of mass

rollout, alternatives to IHDs and additional information on top-up amounts and frequency of top-ups.

2.24. One supplier questioned whether we were setting an expectation to offer emergency credit or friendly credit and whether this amounted to a minimum standard.

Our views and decision

2.25. We welcome the support from respondents to our proposals. We note the concerns of some about ensuring that regulatory burden is minimised. We consider it necessary to monitor the market in this area and that monitoring is a proportionate action to achieve our objectives. We have designed our approach to minimise burdens on suppliers.

2.26. **Therefore, with one exception, we are confirming our proposals for changes to the SOR data. We consider that this is a proportionate response to protect the interests of smart prepayment customers.** Monitoring suppliers' provision of these smart functionalities will allow us to assess how the market is developing.

2.27. In the light of responses to the consultation, we have decided to change our proposal for SOR data collection on cash top-up and will therefore re-consult with stakeholders. (Further detail is provided in chapter three). Following completion of the consultation process, we expect to issue the new direction with **all** the proposed new SOR data points by the end of June 2016.

2.28. The new data will be collected from suppliers as part of their obligations to report on their performance under SLC 32. These data points are solely applicable to suppliers' smart prepayment offerings. The data will be analysed alongside the other SOR reporting data points and we will continue to report annually on suppliers' performance.

2.29. We encourage suppliers to use smart prepayment functionality to support their customers, particularly those who find it difficult to pay. We do note comments regarding the provision of emergency credit and friendly credit. From our engagement with suppliers, we understand they intend to offer emergency credit and friendly credit to their customers and to offer greater flexibility on amounts and timings of these. As noted in our consultation, we do not consider it necessary or proportionate to introduce minimum standards in these areas.

2.30. Monitoring smart prepayment through the new SOR data items will give us insight into the prepayment market and understand whether our objectives for smart prepayment are being met. We intend to supplement these new data items with information from other sources. We will engage with suppliers to understand whether any barriers remain to the successful rollout of smart prepayment to help track progress with our objectives for the smart prepayment market.

Areas where we do not propose changes

2.31. In our consultation document, we proposed to not take further action in the following areas.

Recording meter location

2.32. We investigated a centralised registry system to record and share information between suppliers about the location of smart meters. We proposed that the burden of changing the installation data in this context would be disproportionate to the benefits gained. We stated that industry may instigate further action, but we do not consider that action is required by Ofgem.

The 'perfect storm' scenario: no WAN and no HAN access

2.33. A 'perfect storm' scenario describes a situation where there is a WAN failure as well as a failure with the Home Area Network (HAN) or the device that allows a consumer to top-up manually. This would in effect leave the consumer unable to top-up even if equipped with a Unique Transaction Reference Number (UTRN). Our view expressed in the consultation document was that the existing regulatory framework, in combination with the technical and functional specifications outlined in DECC's Smart Meter Equipment Technical Specifications (SMETS), provides the necessary protections for consumers.

Self-disconnection

2.34. In the original scoping of our smart prepayment project, we had an objective to gain a robust understanding of self-disconnections and consider use of this information to support consumers. We stated in our consultation document that we do not consider further action is needed at this stage.

2.35. Self-disconnection remains an important consideration for Ofgem and once the smart meter roll-out has progressed further, we will be keen to understand from suppliers how the additional data on self-disconnections enabled by smart meters can be used to help protect consumers. We will continue to hold conversations with suppliers about their debt and disconnection practices.

Change of tenancy

2.36. We considered whether smart meters' can improve the current process for when a tenant enters or leaves a property and whether there was a role for Ofgem. We stated that we expect smart meters to improve the current process and that we consider that the right incentives are in place for suppliers to engage effectively with their customers on this topic.

Customer communications

2.37. In our consultation document, we set out a number of smart-specific scenarios and topics which would require suppliers to consider carefully in terms of communications during the wider customer journey. Some of these reflect preceding sections of this document, for example around the CoS process. We felt it would be useful to highlight these scenarios, and urge suppliers to consider these as they design their processes. However, we did not consider that further action by Ofgem is required at this stage.

Summary of respondents' views

2.38. The majority of respondents agreed with our assessment and welcomed our approach. Some respondents stated that the smart-specific scenarios listed in our consultation were all useful points for suppliers to consider as they develop their change of tenancy customer. One supplier stated that these are areas where the market should be left to develop and innovate further for the benefit of consumers.

2.39. A number of respondents suggested that we continue to oversee these issues and, in particular, recording the meter location in the case of a WAN or HAN failure. Some wanted to understand how we will monitor the 'perfect storm' scenario, and whether we could share any examples of good practice. Finally, a consumer body suggested we consider other, non-regulatory interventions for self-disconnections. They suggested that if it is not possible to monitor via the SOR, it would be useful to have regular meetings to share good practice in identifying or supporting consumers who have self-disconnected.

Our view and decision

2.40. **We do not intend to take further action in these areas.** Nevertheless, it is important to review these areas regularly so we know about any problems that arise. We will continue to hold regular meetings with suppliers on debt and disconnection as smart meters are rolled out.

2.41. We agree that smart meters offer opportunities to improve suppliers' monitoring of self-disconnection and to support consumers in this situation. Smart meters can also act as important safeguards against self-disconnection, through the provision of smart prepayment functionalities such as low credit alerts and the greater information available to consumers. We also expect that smart meters will provide suppliers with more granular data to better understand the causes of self-disconnection. These factors will be particularly important for vulnerable consumers.

2.42. As stated in the consultation document, we think self-disconnection should be considered at a later date once smart prepayment is more prevalent. We do not consider it appropriate to place additional requirements and burdens on suppliers in the initial stages of the smart meter rollout. We encourage suppliers to understand how they can use information from smart meters to better understand self-disconnection and to support their customers.

3. Existing arrangements

Chapter Summary

In our consultation, we stated that the existing arrangements were fit for purpose and posed no major compatibility issues with smart metering. We did however propose to amend the Safe and Reasonably Practicable Guidance as well as collect information from suppliers on number of customers who have actively asked for alternative top-up methods so as not to require cash as a payment option. We also asked for views on the risks and merits of differentials between smart and traditional prepayment tariffs.

This chapter confirms our proposal to amend the Safe and Reasonably Practicable Guidance and our proposal to monitor the availability of cash as a top-up method. We present a summary of views from respondents. We respond to those views and clarify our position.

Existing regulatory arrangements are fit for purpose

3.1. In our consultation, we stated that the existing regulatory arrangements for smart prepayment were fit for purpose. In our analysis, we considered whether smart was compatible with the existing prepayment arrangements and whether they were suitable to protect consumers in the light of any new risks from smart metering. We also sought to understand whether any of the existing arrangements posed any undue barriers to innovation.

3.2. We clarified our view that requirements on suppliers to give a 7-day notification period before the installation of a prepayment meter or remote switching to prepayment mode did not create any undue barriers to innovation or faster switching. Finally, we asked for stakeholder views on the risks and merits of differentials between smart and traditional prepayment tariffs.

Summary of respondents' views

3.3. The majority of respondents, including suppliers and consumer groups, agreed with our assessment that the existing regulatory framework remains fit-for-purpose for a smarter market. They generally agreed that existing protections do not pose any undue barrier to innovation. However, respondents noted that as innovation develops we may need to revisit the regulatory arrangements.

3.4. One supplier suggested that we remove the obligation for suppliers with over 50,000 customers to offer prepayment and we should monitor the market to ensure customers wanting to pay by prepayment have a wide range of suppliers and tariffs to choose from.

3.5. A respondent suggested that we extend the current 7-day notification period, raising concerns that this was not long enough for suppliers to make multiple attempts to contact customers.

3.6. A consumer group stated that they would like to see a requirement for suppliers to be challenged to prove that they have followed the Safe and Reasonably Practicable Guidance and a requirement for them to return the customer to a credit status without penalty if outstanding bills are cleared within a limited period.

Our view and decision

3.7. We note the views of respondents that the existing arrangements are fit for purpose **and we confirm our decision not to introduce any changes to the current licence conditions relating to prepayment.**

3.8. We note the comments regarding the 7-day notification period. However, suppliers must currently follow a detailed debt path in relation to installing a prepayment meter under warrant. This includes numerous attempts to contact the customer before taking action to switching them to prepayment mode. In our view, the 7-day notification requirement remains fit for purpose.

3.9. The obligation for suppliers to offer prepayment as a payment method is a general policy issue and falls out of scope of this work. We do not consider that this specific licence condition places any undue barriers to suppliers delivering the benefits of smart prepayment to consumers. We consider it important that prepayment tariffs are widely available to enable greater choice for consumers.

3.10. The CMA has identified particular constraints on competition in the market for prepayment. The CMA recently published their provisional decision on remedies which includes remedies targeting weak domestic customer response in the prepayment market, and constraints imposed by the traditional prepayment infrastructure.

Proposed update to Safe and Reasonably Practicable Guidance

Cash as a payment method for smart prepayment customers

3.11. In our consultation, we proposed to clarify and update the Safe and Reasonably Practicable Guidance to stay abreast of technological developments and help ensure consumers are protected in a smart prepayment market. In particular, we provided examples of relevant factors to take into account when suppliers consider whether it is safe and reasonably practicable for certain smart prepayment customers to pay by alternative top-up methods.

Summary of respondents' views

3.12. Overall respondents agreed with our proposal to update the guidance, so that it remains fit for purpose and takes account of technological developments. Respondents made the following comments and suggestions:

- A number of suppliers highlighted that the guidance should be framed in terms of what a supplier should reasonably take into account and control. The customer must be the best judge of their circumstances and how this relates to their ability to top-up
- Consumer groups and third party organisations were concerned that our proposals were not strong enough to ensure that cash remains a widely available payment method and that consumers are not unfairly penalised for accessing facilities to top-up by cash
- One respondent proposed we introduce a rule that suppliers must offer a consumer two alternative top-up methods that do not both rely on the same things, such as an internet connection.

Our views and decision

3.13. We note suppliers' comments regarding the framing of the guidance. However, we would highlight that the guidance requires suppliers to take the steps listed in SLC 28.1A when they become aware or has reason to believe that it is no longer safe and reasonably practicable for a consumer to be on prepayment. This includes the ways their customers can top-up.

3.14. We do not consider it necessary to introduce licence conditions to require suppliers to offer at least two alternative top-up methods. The guidance will require suppliers to consider relevant factors to determine whether it is safe and reasonably practicable for a consumer to rely on topping up with non-cash top-up methods. One of the factors we identify in the guidance is whether a customer needs more than one alternative, non-cash method of topping up to ensure they can do so.

3.15. We welcome suppliers' commitments in their responses to offer all available top-up methods to consumers. Therefore, our view is that a consumer will not need to 'opt out' of cash as a top-up method or be charged extra for accessing certain top-up methods. This is important and supports our objective of cash payment being made widely available.

3.16. **We confirm that we will make the amendments to the Safe and Reasonably Practicable Guidance that we set out and consulted upon. This will ensure that it keeps pace with technological developments while ensuring that consumers who still need to top up by cash can do so.**

3.17. The revised guidance has been published alongside this decision document. Below we summarise our approach and expectations regarding cash as a top-up method:

- Suppliers have an obligation under SLC 27.1 to offer a wide choice of payment methods. This includes payment by cash where a domestic customer pays in advance using a prepayment meter (or smart meter in prepayment mode). The offer must be made to a person and at a place that is *reasonable* in all circumstances of the case.

- Suppliers are exempt from offering cash as a payment method where the consumer asks to use a particular payment method for paying charges and the supplier offers that method to them. This exemption only applies where the consumer actively requests to pay for the energy using alternative, non-cash top-up methods. As noted in our consultation, it needs to be driven by consumer need and demand, and suppliers must not recommend smart prepayment to consumers who will need to rely on non-cash top-up methods when it is not in the best interest of the consumer to adopt these. We expect suppliers to ensure that consumers make their choice based on the relevant information, including on advantages or disadvantages of such a request, required under SLC 28.1.

- We remind suppliers that in determining what is safe and reasonably practicable, they should consider, along with other factors, whether the customer is able to understand and operate the prepayment meter and visit top-up points (where needed) to add more credit.

Monitoring the number of consumers relying on non-cash top-up methods

3.18. We proposed to introduce a data point into the SOR to monitor the number of customers who have asked for alternative top-up methods so as not to require cash as a payment option. We also proposed to collect the number of smart meter customers on prepayment.

Summary of respondents' views

3.19. There were mixed views on our proposal to monitor the number of customers who have actively asked for alternative top-up methods so as not to require cash as a payment option. Consumer groups suggested that it was necessary and beneficial for us to record this information as it will help us, as well as suppliers, understand changing trends to better support consumers.

3.20. However, many respondents raised concerns over monitoring, stating that it would be a burden in time and cost. Suppliers stated that this monitoring point would require suppliers to implement system changes to collect and report on the information.

3.21. A number of suppliers questioned the value of the new data item and stated that they would offer consumers all available top-up methods, including cash, and

consumers would not have to specifically request for cash as a top-up method. Several respondents proposed alternative ways of monitoring how consumers were topping up.

Our views and decision

3.22. Our view is that it is important to monitor the availability of cash as a top-up method and to ensure that suppliers continue to make this offer to their customers and that the offer is reasonable (refer to SLC 27.1(a)(i)). We note the views of respondents regarding the time and cost of monitoring the number of consumers who have actively asked for alternative top-up methods so as not to require cash as a payment option. We therefore have made amendments which, while minimising the burden on suppliers, allow us to achieve our objective in a proportionate way. We believe we can obtain the relevant information by monitoring the availability of cash as a top-up method by:

a. **Introducing a new data point in the SOR to collect the number of times a supplier's customer base tops up per top-up channel/method**

b. **Using information from (a), along with other sources of information, to engage with suppliers to understand how they ensure they have enabled the facilities for their customers to be able to widely top-up by cash.**

3.23. We confirm our decision to collect data on the number of smart meter customers on prepayment. We will collect this data each quarter and year as part of supplier's SOR requirements.

3.24. For clarity, we will re-consult separately on the revised SOR data item for top-up by cash before we issue the new SOR guidance to suppliers. We will aim to re-consult shortly.

Payment differentials

3.25. In our consultation, we sought views on the risks and merits of differentials between smart and traditional prepayment tariffs as well as on the potential mitigating actions that could be taken by parties, including by us, to address any issues.

Summary of respondents' views

3.26. A number of respondents stated that as consumers switch to smart prepayment, there could be an increase in the potential cost to serve fewer consumers left on the traditional infrastructure, and that these consumers could often be in vulnerable situations. In addition, a reduction in demand for the existing infrastructure could result in traditional prepayment infrastructure providers

withdrawing their services at the point it became no longer commercially viable. We discuss this issue further in chapter five.

3.27. One supplier outlined that over time they anticipate that the widespread use of smart meters across their prepayment customer base will reduce costs. They suggested that when this happens, they will pass these savings onto their smart prepayment customers. This should give customers a tangible financial benefit and serve as an incentive to encourage customers to opt for a smart meter.

3.28. One respondent wanted to clarify whether we were referring to payment differentials within a tariff or whether it also included payment differentials between smart and traditional prepayment tariffs. The same respondent stated that different top-up methods will be costlier than others to operate due to different costs to serve and consumer top-up behaviours.

3.29. Respondents suggested that Ofgem should be monitoring the differentials between smart and traditional tariffs, and seeking to understand the number of customers that cannot access smart tariffs.

Our views

3.30. We welcome the comments from stakeholders on this issue. We aim to reach a balance between allowing suppliers to adapt their offerings in order to help realise the benefits of smart and ensuring the appropriate protection for those consumers still on traditional prepayment meters.

3.31. As stated in our consultation document, suppliers can charge differently for different payment methods, where this reflects genuine differences in underlying costs between those payment methods. In doing so, they must comply with other relevant supply licence conditions including, but not limited to, SLC22B and SLC27[12]. We want consumers to realise the benefits of smart prepayment, including any cost savings that may derive from using this payment method. However, we would not wish to see significant increases to traditional prepayment tariffs. The CMA has announced in its package of provisional remedies that it will consider a transitional 'safeguard price cap' for domestic prepayment customers. Among other things, this is likely to have implications for any price differentials between smart and traditional prepayment. We will continue to follow developments in this space.

3.32. **We will continue to monitor the differentials between payment methods, including between smart and traditional prepayment tariffs. As now, suppliers will be expected to justify any cost differences in payment methods as described in SLC 27.2A.**

[12] Licence condition 22B covers restrictions on tariff numbers and tariff simplification. Licence condition 27 covers payments, security deposits, disconnections and final bills. Note that the CMA have indicated possible changes to the tariff rules in the licence condition 22B as part of their investigation into the energy market.

4. Microbusinesses

Chapter Summary

This chapter outlines our decision not to extend our smart prepayment proposals to microbusinesses. We summarise stakeholder views along with our response.

4.1. In the consultation document, we proposed not to extend any of the existing domestic regulatory arrangements to non-domestic consumers (with exception of the CoS solution outlined in chapter 2). We also called for any evidence to support the view that a lack of protections for microbusinesses may in itself be a barrier to the growth of prepayment tariffs. We were keen to understand which arrangements would need to be extended, and why, to remove any such barriers.

Summary of respondents' views

4.2. Most respondents agreed with our proposal not to extend any of the existing regulatory arrangements and new proposals to micro businesses, with the exception of the CoS solution. Many respondents felt that this was proportionate, given that the microbusiness prepayment market remains small.

4.3. Two respondents did not agree with our proposals and called for an extension of protections for microbusiness consumers on smart prepayment. One respondent sought further clarity on where the detriment may occur if microbusinesses were to be included alongside domestic consumers for smart prepayment protections.

4.4. A few respondents stated that the prepayment regulations for microbusinesses should be reviewed in the future if there is a notable uptake of prepayment among microbusiness users.

Our view and decision

4.5. We did not receive evidence to support the view that a lack of protections was a barrier to take-up of smart prepayment by microbusinesses. Nor was a compelling case made for specific domestic protections to be extended for microbusinesses.

4.6. **In the absence of evidence to the contrary we therefore do not think that it is proportionate to extend protections to microbusiness consumers**. The exception to this is the new CoS arrangements where we saw no reason for the arrangements to differ between domestic and non-domestic consumers.

4.7. We agree that reviewing our stance at some point in the future will be important, especially if there is a notable uptake of microbusiness consumers on prepayment. We will continue to monitor this and act if necessary. We will also keep up-to-date with the CMA's final remedies in the microbusiness market and consider any next steps in the light of these.

5. Phasing out of traditional prepayment infrastructure

Chapter Summary

In our consultation, we asked for views on issues relating to phasing out the traditional prepayment infrastructure. This chapter sets out the main views from respondents and our own response.

5.1. Stakeholders suggested that we need to consider carefully the implications and risks of a future exit from the traditional prepayment infrastructure. Although this does not fall within the scope of this smart prepayment work, we recognised its importance and in our September 2015 consultation asked for general views on phasing out the traditional prepayment infrastructure.

5.2. We were keen to hear views on the key risks to all parties and especially to consumers, the timelines and management of such a phase-out, including which parties or forums would be best placed to consider and manage this transition.

Key messages from respondents

5.3. In terms of risks, respondents called for careful consideration to be given to managing phasing out prepayment infrastructure to avoid disruption to prepayment consumers, who are more likely to be on low incomes and in vulnerable situations. There was a particular concern that the last consumers on traditional prepayment meters may be the most vulnerable. One respondent stated that regulatory interventions maybe required to protect the interests of traditional prepayment customers.

5.4. One respondent stated that it is difficult to gauge the number of consumers with traditional prepayment meters that will not be able to benefit from a smart prepayment solution (e.g. due to communications issues or where customers refuse a smart meter). Another respondent suggested that Ofgem monitor the number of consumers who do not have a smart meter by the end of the rollout.

5.5. One stakeholder was concerned that the prepayment infrastructure may not be commercially viable to operate, creating a situation where costs of operating the service become unsustainable for the consumers who remain using a traditional prepayment meter.

5.6. Another respondent said that in the future it may only be feasible for there to be one prepayment infrastructure provider, effectively creating a monopoly. This could lead to disproportionately high tariffs for existing prepayment consumers.

5.7. In relation to mitigating actions, a number of stakeholders stated that while it was important to address the risks of phasing out of traditional prepayment

infrastructure, it was not an immediate priority. However, respondents agreed that there was an issue to manage that would need careful planning.

5.8. A number of stakeholders suggested that phasing out the traditional infrastructure needs to be centrally led. There is an important role for Ofgem and/or DECC with industry working together.

5.9. Stakeholders suggested we learn from previous industry experience in changes to infrastructure, for example phasing out token electricity prepayment meters. Stakeholders were open to further dialogue and knowledge sharing. They also noted that, as communication with consumers will be important, there may be a role for Smart Energy GB and Citizens Advice in delivering consistent messages to consumers through the process.

Our view and decision

5.10. We agree with stakeholders that this issue will need to be managed carefully in order to achieve an orderly, effective phase out of traditional infrastructure which addresses the risks to consumers yet to receive a smart meter. We will engage stakeholders as the smart meter roll-out progresses to consider how to best manage the transition.

5.11. We will monitor the number of consumers on traditional and smart prepayment and the tariff differentials between the two prepayment types, as well as other developments in the market. We will take appropriate action in the light of our monitoring.

Appendices

Index

Appendix 1 - Glossary

C

Change of Supplier (CoS)

Process used by industry to transfer a customer from one supplier to another.

Competition and Markets Authority (CMA)

The Competition and Markets Authority (CMA) is a non-ministerial government department in the United Kingdom, responsible for strengthening business competition and preventing and reducing anti-competitive activities.

Credit Mode

A mode of operation whereby consumers are generally billed for their energy use retrospectively.

D

Data Communications Company (DCC)

The Data and Communications Company (DCC) is a central communications body appointed to provide the communications and data transfer and management required to support smart metering. It is responsible for linking smart meters in homes and small businesses with the systems of energy suppliers, network operators and other companies. The DCC will deliver data and communications services for smart meters through its external providers.

E

Emergency credit

Emergency credit refers to a limited amount of credit provided by the supplier which becomes available when the customer's credit runs out. This generally needs to be repaid when the customer tops up next.

F

Friendly credit

Friendly credit refers to periods during which the supply will not be disconnected. This often covers evenings/nights, weekends, or bank holidays. Friendly credit generally needs to be repaid when the customer tops up next.

H

High consumption alert

A threshold consumption amount which when reached activates an alert to the customer.

Home Area Network (HAN)

The Home Area Network is the means by which communication between Smart Meters, In Home Displays and other smart metering devices in premises is affected.

I

Industry Codes

Industry codes and agreements underpin the gas and electricity markets and set out detailed rules for the gas and electricity markets that govern market operation and the terms of connection and access to the energy networks. The codes are contracts between signatories and provide a level playing field for services provided by central/monopoly providers, and contain interoperability requirements between competitors.

In-Home Display

An electronic device, linked to Smart Metering System, which provides information on a consumer's energy consumption and ambient feedback.

M

Micro-business

A non-domestic consumer is defined as a micro-business if they meet one of the following criteria:

- Employs fewer than 10 employees (or their full time equivalent) and has an annual turnover or balance sheet no greater than €2 million, or
- Consumes not more than 100,000 kWh of electricity per year, or
- Consumers not more than 293,000 kWh of gas per year.

Master Registration Agreement (MRA)

The Master Registration Agreement (MRA) provides a governance mechanism to manage the processes established between electricity suppliers and distribution companies to enable electricity suppliers to transfer customers. It includes terms for the provision of Metering Point Administration Services (MPAS) Registrations.

L

Low credit alert

A threshold credit value which when reached activates an alert to the customer to remind them to top-up.

O

Ofgem

Ofgem is the Office of Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority (GEMA), the body established by section 1 of the Utilities Act 2000 to regulate the gas and electricity markets in Great Britain. It does this by promoting competition, wherever appropriate, and regulating the monopoly companies that run the gas and electricity networks.

P

Prepayment meter

A prepayment meter includes any Electricity Meter operating in a mode which requires a customer to pay charges in advance.

Prepayment Meter Interface Device (PPMID)

A prepayment meter user interface separate from, but connected to, the meter via the HAN.

Priority Services Register

The standard Supply Licence Conditions require suppliers to establish a list (the Priority Services Register) of domestic customers that are of pensionable age, disabled or chronically sick. Eligible customers can ask to be added to their supplier's list. These customers are then eligible for certain free services specified in the Supply Licence Conditions.

S

Self-disconnection

An interruption to electricity or gas supply by consumers using prepayment meters because meter has not been topped up.

Smart meter

For the purposes of this document, smart meter refers to all meters operating via or intended to operate via remote communications.

Smart Energy Code

The Smart Energy Code (SEC) is a multiparty contract which sets out the terms for the provision of the Data Communication Company's services and specifies other provisions to govern the end-to-end management of smart metering in gas and electricity.

SMETS

The technical specification for smart metering equipment set out by the Smart Metering Programme.

Social Obligations Reporting

Suppliers are obliged to provide us with data on payment methods, debt, disconnection, and Priority Services Registers (PSRs). We refer to this as the Social Obligations Reporting.

Supply Point Administration Agreement (SPAA)

The Supply Point Administration Agreement (SPAA) sets out the inter-operational arrangements between gas suppliers and transporters in the UK retail market. It is a multi-party agreement to which all domestic gas suppliers and all gas transporters are required by their Licences to comply with.

Switching Programme

This programme concerns the process used by industry to transfer a consumer from one supplier to another. Smart metering presents an opportunity to improve this process. Ofgem's ambition is for a fast, reliable and cost-effective process that facilitates competition and builds consumer confidence.

U

Unique Transactions Reference Number (UTRN)

A UTRN is 20 digit unique reference number which can be entered by the customer to manually top-up their smart meter.

W

Warm Home Discount (WHD)

The Warm Home Discount scheme mandates domestic energy suppliers to provide approximately £1.45 billion of direct and indirect support arrangements to fuel poor customers over five years from April 2011.

Wide Area Network (WAN)

The network that is used for two way communication between smart metering systems and the DCC or suppliers.

Appendix 2 - Feedback Questionnaire

Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case, we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. Did the report make reasoned recommendations for improvement?
6. Do you have any further comments?

Please send your comments to:

Andrew MacFaul
Consultation Co-ordinator
Ofgem
9 Millbank
London
SW1P 3GE
andrew.macfaul@ofgem.gov.uk