

National Smart Meter Programme

Smart Metering High Level Design

Smart PAYG

CER/15/054

Consultation Paper Response

Introduction

Bord Gais Energy welcomes this opportunity to respond to the public consultation on Smart Pay As You Go.

We acknowledge that the 2014 High Level Design Decision Paper introduces a Smart PAYG model with smart meters being capable of operating in credit or prepay mode. This allows customers with Smart Meters to switch to prepay mode without a site visit to replace the meter. We also note in the High Level Design that new customers should be able to open their account in credit or prepay mode. We acknowledge that the ‘thin’ PAYG model laid out in the High Level Design differs substantially from the legacy prepay solutions currently in operation in Ireland. Both share the central tenet that PAYG customers pay in advance for the energy they consume.

We have indicated that we are broadly in agreement with the High Level Design for Smart PAYG and we believe it facilitates genuine innovation in the PAYG market and its payment and management channels. We wish to highlight the important pre-requisites for the introduction of such a model.

- A reliable communication infrastructure is established to ensure reliable retrieval of actual energy consumption from all participating homes.
- An active smart meter is deployed to the home and connected to the national communications infrastructure.
- Actual meter reads are available reliably at the end of each day from every meter.
- Within day ad-hoc meter reads are available for verification purposes.
- Payment Services are available to support smart top-ups.
- Alert services are available to keep customers mindful of their usage and remaining credit.

Smart Meters are an appealing solution for several communities of energy consumers.

- As a lifestyle choice, PAYG may suit those who need a more casual relationship with an energy provider. This may include students or short-term tenants for example.
- As a budget management option, it may benefit those who need to manage their energy budget carefully and monitor their usage.
- For those in arrears, it may help manage payment of the arrears, with a percentage of each top-up allocated to arrears clearance. This means that customers can continue to use electricity, reduce arrears and not fall into further debt.

An important principle of PAYG is consumer control and this also is a substantial reason for the appeal of this model in other markets where as many as 40% of consumers choose PAYG options.

It is important therefore, that the Smart PAYG model retains the concept of consumer control and self-disconnect. Notwithstanding market rules relating to friendly credit periods, Smart PAYG should not encourage consumers to use energy beyond their budget. Such a compromise of the Smart PAYG design risks customers in hardship falling into arrears and undermines the value in Smart PAYG choice.

We believe that the rollout of Smart PAYG is undermined by a number of factors in the Smart Meter rollout. This includes the lack of certainty on communications quality, coverage and reliability in the initial phase, the approach to market processes during transition with every new customer connection in credit mode, the potential delayed replacement of legacy prepay equipment.

The ‘thin’ PAYG model may become viable later but in the transition phase, the obstacles may warrant a fresh look at PAYG in a smart context removing the dependency on communications quality and coverage.

Substantive Questions:

<p>Question 1: Do you agree with the above assessment? Please provide rationale.</p>
<p>We believe that the assessment is broadly in line with the High Level Design. We expect little regulatory change in these areas.</p>
<p>Question 2: Respondents are invited to provide their views on the interaction between smart PAYG and Budget Controllers as part of the transition to smart PAYG, both from an individual customer perspective and more broadly, in relation to market interactions.</p>
<p>We think that a more precise question should invite a consideration of the interactions between smart meters and Budget Controllers as part of the transition to smart PAYG. We see this situation as largely similar to the existing relationship between legacy meters and budget controllers. With a ‘smart’ capable installed in a home, it may still be remotely read but otherwise operate as the ESN meter of record as is the case today.</p>
<p>Question 3: Do you think that this range accurately depicts the range of <i>possible</i> detailed policy designs in this area that are consistent with the high level design? If no, please explain why.</p>
<p>We think this range is broadly aligned with the High Level Design.</p>
<p>Question 4: Respondents are invited to provide their views on these examples.</p>
<p>We believe that the most important feature of smart top-up is reliability. Customers should be certain every time that a top-up in a retail store, online or by mobile should work</p>

reliably. This gives consumers confidence that their top-up reaches their account and they can benefit from it without needing to check their account record. We know that the speed of top-up is particularly sensitive to a specific cohort of customers who may be managing their energy budget closely or may already have a de-energised meter.

For all payment channels, suppliers are reliant on third party payment services to deliver initial payment notifications to them before they can then appropriately update the customer account. Suppliers are equally reliant on network operators to communicate a re-energise message to a meter where the customer has run out of credit. Suppliers will need to therefore approach the payment market to procure services with ‘near real time’ payment notifications. Similarly, suppliers will have to be sure of communications quality and reliability as well as prompt processing of the ‘energise’ message by ESN before supply is restored. These multiple dependencies mean that supporting services need to be in place before suppliers can provide a clear and certain top-up time to their customers.

The first example is therefore the most realistic from a regulatory perspective. The reality of the existing top-up experience is that consumers must travel to a retail outlet to purchase a top-up token and then apply this to the meter. For existing PAYG customers, smart top-up represents a substantially faster top-up experience. This is contrary to the description of the second example. Similarly, in the third example, reliability is the most important feature of a top-up. The same limitations apply for re-connection of supply.

Question 5:

Do you agree that further policy detail is required in respect of how the minimum alert levels are set? Please provide rationale.

We are not certain that additional regulatory policy detail is required beyond that described in the High Level Design. Alerting in relation to low credit is particularly relevant to a specific cohort of customers who are actively budgeting their energy usage and are very focused on balance levels. This is not the general experience when Smart PAYG is taken up by up to 40% of the market. For those very focused on balance management, it may be appropriate to alert them in meaningful ways as balance reduces. Currently, a single audio alert is issued to a customer by the physical meter or budget controller. This has limited value and ensures that the customer must regularly visit the meter to inspect it. For Smart PAYG, SMS alerts at specific balance thresholds are far more noticeable, useful and enduring. They are also consistent with alerting used by consumers for others services such as refuse collection, dental appointments, school activity. It is of utmost importance that customers should have choice regarding the number and frequency of balance notifications they receive. The regulator should not decide the needs and preferences of customers. The regulator should not restrict customer choice.

Question 6:

Do you think that this range accurately depicts the range of possible detailed policy designs in this area that are consistent with the high level design? If no, please explain why.

We believe that the regulatory options laid out are possible permutations in a Smart PAYG service. We advise against being specific in relation to channels or frequency. Channels evolve over time and frequency may be a customer choice. The High Level Design covers the need to alert customers appropriately. Regulation should ensure that alerting is in place without restricting a customer to a specific alert channel or making a customer receive

alerts where for example they have a credit auto-top up in place or have chosen not to receive alerts.

Question 7:

Respondents are invited to provide their views on these examples.

We believe that consumers should have the option to choose the alerting and credit monitoring most appropriate to their needs. Smart PAYG appeals to many communities of users and each will consume in different ways to the existing PAYG community in Ireland.

Question 8:

Do you consider that this is a significant enough issue to require additional regulatory provisions to minimise the possibility of a customer missing an alert?

Within the current PAYG solution, low credit alerts are basic and transient and very likely to be missed by a customer if they are not at home or not near the meter. The use of additional, persistent channels such as SMS or email means that alerts endure and can be noted later. The experience from other consumer services, such as refuse collection is that customers register new phone numbers or email addresses promptly to ensure that they continue to receive alerts. Consumers would be similarly motivated to keep their contact details current in a Smart PAYG context.

Question 9

Do you agree that further policy detail is required in relation to the minimum provisions for customers as their credit runs out? Please provide rationale.

We agree that the most important principle of PAYG is customer control. Self-disconnect is a feature of that. Accepting that only a minority of customers will regularly experience disconnection, the supplier as operator of the Smart PAYG solution is dependent on a number of parties to effect re-connection. It would be helpful if we had more frequent access to meter data or ad-hoc access to meter data in order to provide best, most accurate view of balances to our customers. We would also like assurances on the quality and coverage of meter communications in order to ensure that actual meter reads are always available. Finally, we would like assurances on the speed at which re-energise messages will reach meters that have stopped supply. This is key to consumer protection. Existing mechanisms such as those which already apply in today's market could be brought forward to the Smart PAYG market. In this instance, the €5 emergency credit feature in both the current Gas and Electricity market could be applied to the PAYG design.

Question 10

Do you think that this range accurately depicts the range of possible detailed policy designs in this area that are consistent with the high level design? If no, please explain why.

We think this range is possible but the disconnection when actual balance is below zero is most aligned with consumer interests. This would be our favoured solution. Improved accuracy in this regard is helped by more frequent within-day access to meter data and certainty in relation to meter communications. Improved accuracy of this nature would also facilitate an improved customer experience. For example a monetary value (e.g. -€5 emergency credit), could be applied as a parameter in parallel with the time based solution so the user would cut off at -€5 OR 1 day whichever is reached first. This would alert the user to unsustainable or abnormal usage (e.g. Immersion left switched on) which would ultimately assist in modifying consumer behaviour / improving energy efficiency.

Question 11

<p>Respondents are invited to provide their views on these examples.</p>
<p>PAYG customers pay in advance for the energy they consume. Any suggestion that increasing levels of debt is preferable to self-disconnection is concerning and would not protect customers, quite the opposite - regulatory distortion of self-disconnection would prejudice the customers rights and would represent regulatory overreach.</p>
<p>Question 12 Do you believe that these provisions – emergency credit and friendly credit periods should remain in place for smart PAYG?</p>
<p>We believe that emergency credit is an important feature and one that should endure in the Smart PAYG solution. We similarly agree that friendly credit periods should also endure.</p>
<p>Question 13 Should friendly credit provisions be extended to cover gas?</p>
<p>We believe that friendly credit periods can be extended to Smart PAYG gas customers and therefore this should be the case.</p>
<p>Question 14 Do you think that requirement should be considered for the length of time that it takes the network to deliver the daily meter read?</p>
<p>Please see Q10. We believe that a formal SLA should exist in relation to the delivery of smart consumption data. We also strongly believe that within day access to meter data is of great benefit to the consumer.</p>
<p>Question 15 Do you think that a requirement should be considered for the length of time that it takes the supplier to apply the meter read to the customers balance?</p>
<p>Suppliers already have a near real-time requirement for processing of consumption data. Without and until the establishment of a network SLA for receipt of meter data then a more specific supplier requirement, above the 'near real-time' requirement, is of limited value.</p>
<p>Question 16 Do you consider that some customers may have additional requirements for topping up? And if so, should the regulatory framework make provision for this? Please provide rationale.</p>
<p>We believe that smart metering payment channels facilitate a wider range of payment options than traditional PAYG. Smart payment channels allow top-up online or on mobile phones when not at home or able to reach a store. They allow third parties to top-up on your behalf. They allow cash top-ups through retail POS terminals in a very wide range of retail stores. It will be important that providers of retail POS terminals facilitate rapid payment notifications to suppliers. There is evidence that this kind of service is already emerging and this is very encouraging.</p>
<p>Question 17 Do you agree that further policy detail is required in relation to the minimum provisions for how quickly PAYG customers are reconnected? Please provide rationale.</p>
<p>Speed of re-connection is dependent on the collaboration of several unrelated service providers. Swift re-connection will depend on high quality communications infrastructure, swift processing of energise messages by networks with a guaranteed SLA and near real time update of the customer account to reflect new balances on top-up.</p>
<p>Question 18 Do you think that this range accurately depicts the range of <i>possible</i> detailed policy</p>

<p>designs in this area that are consistent with the high level design? If no, please explain why.</p>
<p>We believe it is challenging to discuss the specifics of a re-connection without the assurances on connection message processing that we require. At a minimum, regulation should require a fast SLA from network operators. Access to meter data within day, would help to ensure improvements in this area.</p>
<p>Question 19 Respondents are invited to provide their views on these examples</p>
<p>Please see Q18</p>
<p>Question 20 Do you agree that the question of how to calculate/estimate the top up amount required to reconnect should be considered further in this phase of work?</p>
<p>We think that certainty and control are the most important features of PAYG for those customers keenly focused on their balance. If a customer meter has stopped supply because balance has fallen below zero then a customer should be required to bring their account back into credit in order to restore supply. We should be in a position to advise customers of the minimum top-up required to ensure this.</p>
<p>Question 21 Which of the above methodologies do you consider preferable? Please explain your rationale.</p>
<p>Please see Q21</p>
<p>Question 22 Do you agree that further policy detail is required in relation what the minimum provision of information is to customers when they request their credit balance? Please provide rationale.</p>
<p>An important feature of smart metering is the elimination of estimated reads. Meter reads should be accurate and timely. There is an opportunity to increase customer trust in meters by emphasising the accuracy of billing/consumption information. This feature has been welcome in other markets such as the UK. Access to meter data once per day is an improvement on the existing arrangements but within day or ad-hoc access to meter data would remove the customer requirement to provide reads or for estimates to have an enduring role in the market. We urge the CER to facilitate access to within-day meter data for this reason.</p>
<p>Question 23 Do you think that this range accurately depicts the range of <i>possible</i> detailed policy designs in this area that are consistent with the high level design? If no, please explain why.</p>
<p>Please see Q22</p>
<p>Question 24 Respondents are invited to provide their views on these examples.</p>
<p>Please see Q22</p>
<p>Question 25 Do you consider that the on demand balance will be more important for customers in financial hardship to have? And if so, should the regulatory framework make provision for this? Please provide rationale.</p>
<p>Please see Q22</p>

Question 26

Do you agree with the above assessment? Please provide rationale.

Yes, we would agree with this approach. It is important that the CER has cognisance of the costs associated with changes to Codes of Practice, Charter, T&C's etc. many of which require system changes and all of which, must be trained out to staff. Minimal change will ensure minimal additional cost is passed to consumers.

Question 27

Do you agree that transferring between smart and non-smart PAYG should be considered as part of the detailed regulatory design?

Yes

Question 28

Do you agree with the above assessment? Please provide rationale.

We agree with the outcome for Smart Customers going forward but not with the CER's assessment of the current rules for refunds. We have made the CER aware on numerous occasions of the difficulties in establishing the validity of claimed gas credit balances on Change of Supplier for PAYG meters. There is no "working system" to validate these balances at present.

Question 29

Do you have any further comments?

No