

Smart Metering Programme Office
Commission for Energy Regulation,
The Exchange, Belgard Square North,
Tallaght,
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Electric Ireland response to CER/15/054 – Smart Pay As You Go

Electric Ireland welcomes the opportunity to respond to the Smart Pay As You Go (PAYG) consultation paper. Electric Ireland remains consistent with our historical view on Smart PAYG, that is, that we broadly support the thin prepayment model set out in the core design but with two reservations. Firstly its inability to deliver real time balance information display in customers homes for those that require it most and secondly its ability to enable real topping up. The CER has decided to progress with smart PAYG based on a thin prepayment model and has weighed up the customer benefits and downsides that come with the model in making this decision. It is important that the thin solution is not forced and twisted to try to match the thick model through supplier capability development. If the CER is dissatisfied with the thin PAYG model the NSMP needs to revisit the core design and PAYG model decision.

1. Real time balance information

The PAYG electricity and gas markets are continuing to grow and the industry has seen increases in both the debt and lifestyle segments of this market. Electric Ireland's reservations mainly concern the current debt/hardship segment who have budget controllers funded via a socialised fund. We feel that future lifestyle and indeed debt/hardship customers may accept the daily balance calculation and notification that the smart PAYG model delivers. After they build an awareness of their daily usage they will likely get comfortable with their energy usage and balance control. However those consumers with budget controllers currently in place rely on their balance displays and we are concerned that the CER has chosen a smart PAYG model that does not meet the needs of this vulnerable segment. This requirement was evidenced in research commissioned by SEAI for the NSMP in 2013, before the decision was made regarding the smart PAYG model for the Irish smart metering rollout, There was very clear feedback given from this segment of consumers regarding balance display:

- When presented with the possibility of no ability to view their balance on the meter (as is currently in place), the reaction was **highly negative** – not being able to view credit balance is seen as inconsistent with the smooth operation of prepay in a house
- Participants were '*astonished*' that a new system (Smart Meter) would not have the balance viewing capability – they struggled to understand this and the prioritisation of functionality
- The concept of not being able to monitor visually seems **counter intuitive** to customers at a time where society has become more visual:
- The visual nature of displaying credit balance offers an **emotional reassurance** especially to the most financially strained and vulnerable. The lack of visibility dilutes this and a fear of losing control starts to bubble (which is the essence of Prepayment)
- Customers also considered it a **big loss** since many use the display to educate the family as to their consumption – thus the displays have a 'group impact', whereas the text online etc. options are seen as more individualistic
- Thus many respondents in the necessity groups became **agitated and resistant** regarding the dropping of the credit balance from a visual display
- The resistance over the viewing balance functionality is based on the concern that fundamentally energy, electricity especially, is seen as a **necessity** that is in constant use which has a high cost to the household – thus prepayment householders need to actively manage their credit/usage which they feel is best done via some form of display

For this segment of the market the option of allowing them to retain their budget controllers seems the most sensible option particularly as this service will need to remain in place for those consumers that are unable to receive a smart meter due to technical reasons with the communications network and who fall into the debt/hardship segment that qualify for a prepayment service.

2. Real time topping up ability

The proposed smart PAYG topping up process removes the ability of customers to control the timing of the application of credit to their account. In the smart PAYG model the timely application of credit is reliant on several parties' processes working together effectively including payment partners, communications networks and suppliers backend systems. Failure of any of these processes could lead to customers being left without power.

Electric Ireland feel that this is a retrograde step in a PAYG customer experience and may lead to customer dissatisfaction and rejection of the smart PAYG service. Once again this opinion is supported by research commissioned by SEAI for the NSMP in 2013

- A large proportion of those currently on prepay would prefer to retain their current system in preference to losing the **direct entry** option
- In terms of speed of credit reaching the account, most assumed it would be practically **instantaneous** citing the current experience and indeed other sectors such as mobile phone credit 'in this day and age, it should be straight away'
- For gas it was also assumed to be instantaneous. Attention was drawn to the delays with the current system, and most assumed a '**smart meter**' would rectify this
- Lifestyle and Necessity groups were similarly **dismissive** of any delay, and there was little tolerance of clearing times in banks, or delays in credit being given
- For current users, delays did not feature as part of their process and for potential users, and references to delays '*raises a **red flag***', '*that would not work for us, - would it get worse over time, definitely not for me*'

Questions asked in the consultation paper:

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

Electric Ireland agree with the assessment of the change required for the Transfer Credit to PAYG process. As stated in the paper with a smart meter customers no longer require an additional or new meter to be installed when they wish to avail of a PAYG tariff. Suppliers are able to transition customers to PAYG more quickly than the current process. One area where additional consideration should be given is where it is technically infeasible for a customer to have a smart meter and they qualify under debt and hardship rules for an industry PAYG solution. There may be a requirement for ESNB to install a budget controller for these customers if suppliers are unable to offer them a smart PAYG solution due communications issues.

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.

We have evidenced from research conducted by the CER in 2013 that customers with budget controllers in place highly value the real time balance information that is made available to them. The CER have decided on a thin prepayment model that does not deliver this service to customers in their home, in real time. It seems sensible to allow budget controllers to remain with customers if they wish. If they wish to change to smart PAYG suppliers can (where technically feasible) offer them the smart PAYG service with a daily balance calculation and

communication. As stated in our response to Q1 where it is technically unfeasible for customers with a current and future requirement (based on debt and hardship rules) to receive a PAYG service, budget controllers need to remain in place.

3. 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.

The range of possible policy frameworks illustrated for the Topping Up Balance process is broad and allows for variation by speed, channel and process.

4. Respondents are invited to provide their views on these examples.

Subject to technical and communication dependencies Electric Ireland is of the opinion that the regulatory framework should most closely match the current customer topping up experience in the smart PAYG environment by adding credit to the customers balance quickly, within minutes.

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

The High Level Design PAYG decision paper in October 2014 did not provide adequate detail regarding the minimum threshold alerts that will need to be communicated to customers when their credit is running low therefore additional policy detail is required.

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.

Yes the range of policy design options for alerting customers when their credit is running is low set out in the paper are broad, ranging from alert levels similar to the current PAYG experience to very prescriptive alerts.

7. Respondents are invited to provide their views on these examples.

Electric Ireland are of the opinion that the smart PAYG process for credit alerts should match the current experience and offer choice to customers who have a preference for more or less alerts. We would therefore support example 1.

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?

Electric Ireland do not feel that this is a significant enough issue to require additional regulatory provisions. Smart PAYG will enable customers to choose their channel of communication and frequency of their credit warning alerts and manage their credit balance accordingly.

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.

Smart PAYG balance calculation and communication when credit runs out will be a daily process and customers will need to become familiar and comfortable with this new process. The October 2014 Decision paper set out adequate policy detail for balance calculation using the thin prepayment model where meter reads are received daily, i.e. Customers are alerted when their credit balance is at or below zero and customers who do not top up with sufficient credit will be disconnected and remain disconnected. Electric Ireland do not feel that further policy detail is required in relation to minimum provisions for customers as their credit runs out. The paper sets out two reasons for additional policy which we do not support. The supplier will calculate the balance daily, if that balance is at or below an automatic disconnection message will be issued by the supplier. This mirrors the existing process of self disconnection and it will follow a series of credit running low alerts to the customer. This is the expectation of customers who take a PAYG service, i.e. if your balance goes below zero the service ceases.

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.

No, it is our opinion that the policy paper sets out one option for a PAYG service and one option for credit service.

11. Respondents are invited to provide their views on these examples.

PAYG service by its nature implies that customers need to keep their balances above zero to maintain service. Electric Ireland feel that the regulatory framework should be seeking to match the existing PAYG experience, disconnecting only when customers have run out of credit. The paper sets out two options, the first reflects the decision made in the October 2014 PAYG paper and as set out in our answer to question 9, Electric Ireland supports this option. In the second option disconnection only occurs after a customer consistently fails to top up rather than when their balance reaches zero. Electric Ireland feel that this reflects a credit billing service and is not an adequate process for a PAYG service. This option would not help customers who have availed of this service because they need assistance with budgeting as it could allow them to get further indebted.

12. Do you believe that these provisions – emergency credit and friendly credit periods should remain in place for smart PAYG?

Yes, the smart PAYG customer experience should match existing service expectations and we would be interested in exploring options for this.

13. Should friendly credit provisions be extended to cover gas?

Electric Ireland feel that there should be consistent customer experience of the smart PAYG service between electricity and gas so friendly credit provisions should be extended to cover gas.

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?

Yes, a suppliers ability to calculate a daily balance, which will trigger critical messages such as disconnections and reconnections, is reliant on the timeliness of the supplier receiving consumption data. The length of time that this takes needs to be taken into consideration in developing additional policy decisions.

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?

Yes, policy decision needs to take this into account otherwise there is a risk that the decision may not be achievable by suppliers.

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.

The smart PAYG topping up facilities should continue to support the existing service options that cater for all PAYG customers requirements currently. If however the CER identifies a group of customers that is not currently catered for, the smart PAYG service should support their requirements.

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.

The October 2014 decision paper sets out that a customers supply will be reconnected when they apply credit and within an SLA to be agreed at a later date. As the customer is no longer in control of how quickly the reconnection happens, additional consideration now needs to be given to the SLA and to the minimum top up required to trigger the reconnection.

18. 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.

The policy options included are broad and cover options regarding channel and timings.

19. Respondents are invited to provide their views on these examples

For customers this is most critical process in the smart PAYG model and there is a risk that customers could be severely impacted and left without electricity if it goes wrong. Electric Ireland feel that the smart PAYG service should offer a similar service as the current PAYG

model, i.e. reconnection within minutes. The ability of suppliers to provide this service is dependent on the timing of the delivery of real time payment information from payment partners and the speed of the execution of reconnection messages by networks companies.

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?

Electric Ireland is of the opinion that current policy regarding minimum top ups for reconnection should continue, i.e. that a customers balance is brought above zero to enable reconnection.

21. Which of the above methodologies do you consider preferable? Please explain your rationale.

Option 2 is preferable, when a customer is disconnected they will be advised of the amount required to trigger the reconnection.

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.

No, Electric Ireland are of the opinion that the October 2014 decision paper provides adequate policy detail on the viewing your balance process.

23. 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.

No, of the three examples set out in the paper only one is consistent with the high level design. Option one includes balance calculation and communication at least once per day and based on actual consumption by customers. This option is consistent with the high level design of daily consumption being sent to suppliers by networks enabling a daily actual balance calculation and communication to customers (if they wish). This option was detailed in the October 2014 decision paper.

Option two involves a customer taking a meter read, providing it to their supplier and requesting a balance calculation. This option is inconsistent with the high level design where billing is based on meter consumption not meter reads (in fact customer reads are not permitted in the proposed new market design). In addition a supplier will have no way of calculating what portion of the meter read is day, night and peak to update the customers balance as this will not be available from the meter.

The third option places a mandate on suppliers to provide a device in the customers home to calculate their balance based on uncertified real time meter consumption from the HAN coupled with balance information and real-time top ups from suppliers back end systems. This option is not consistent with the high level design which delivers a thin PAYG model. This option is trying to force the thin model to be thick by proposing a solution that has not been used by any other market nor has been developed by the devices industry as far as we are aware. In addition, this option, if technically possible, would have negative impact on the NSMP CBA as it would place additional implementation costs on suppliers.

24. Respondents are invited to provide their views on these examples.

As set out in our response to question 23 it is Electric Ireland's view that the only option set out in the paper that is consistent with the high level design is option 1, daily calculation.

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?

Electric Ireland has set out this issue and our proposed solution to this question in the introduction section of this response. Based on CER commissioned research real time balance display is a non negotiable for this group of customers and their current budget controllers should be allowed to remain if customers wish. If they are willing to accept the smart PAYG service and its version of balance communication they can choose to avail of it with their supplier.

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

Yes, subject to customers having repaid outstanding debt, and given the limited change to the customer experience in transferring to credit from PAYG, relatively minor changes to the current regulations appear sensible.

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

Yes, the budget controller solution will be required in the smart world and it is appropriate to add provisions for moving between these solutions and for retaining the budget controller solution should customers in the financial/hardship segment wish.

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

Electric Ireland is of the opinion that the October 2014 decision paper provided adequate direction regarding the process of refunding the customer credit when they change supplier. The decision stated that the credit balance that would qualify for a refund will be offset against any residual debt balance that the customer may have. We would therefore agree with the assessment that the rationale for major change appears limited

29. Do you have any further comments?

We would repeat that the CER has decided to progress with Smart PAYG based on a thin prepayment model, we need to accept the model for its benefits and downsides and find alternative solutions to meet customer expectations. However it is important that the thin solution is not forced or twisted into a thick solution. If the CER is dissatisfied with the thin PAYG model the industry need to revisit the core design and PAYG model.