Response by Energia to Commission for Energy Regulation Consultation Paper CER/15/054

CER National Smart Metering Programme
Smart Pay As You Go

22 May 2015

1. Introduction

Energia welcomes this opportunity to respond to the Commission for Energy Regulation's (CER) consultation on the Pay as You Go model as part of the CER's National Smart Meter Programme. As Ireland's largest independent energy supplier, Energia is a leading supplier in the provision of energy services to customers. Energia is also a new entrant in the domestic gas and electricity market.

2. General Comments

Our high-level view is as follows:

- We remain strongly in favour of the proposed thin solution. It potentially provides the opportunity to make prepay meters available to a wider portion of the population with minimal infrastructural changes required.
- It is vital that any proposed solution ensures a consistent experience for the consumer for both gas and electricity models. This, however, should fit in with the broad objectives of the programme.
- Where possible, the customer should not be disadvantaged due to events that are outside their control. These include such events as communications failures or the inability or delay to reconnect their meter in event of an emergency. Also, as near a "real time experience" as possible should be presented.
- Finally, all comments offered at this stage are considered to be provisional and, notwithstanding the reservations contained therein, do not seek to challenge CER decisions/mandates. In the event of a material change in CER's stated approach to the Smart Metering programme/decisions/mandates, we reserve the right to update our stated position on this and other matters, in response to such a material change.

3. Responses to Consultation Questions

[see over]

Question		Response		
No.	**Question**	**Yes**	**No**	**Rationale**
1	Do you agree with the above assessment? Please provide rationale.	✓		Energia broadly agree with the assessment. It is important to note that early development of any changes to the Code of Practice should be carried out in order to ensure a smooth transition to a new thin prepayment environment
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.		✓	Energia are of the belief that budget controllers should be removed or a timeline should be developed to ensure orderly removal of the budget controller as part of the smart installation. By leaving budget controllers in place, this creates a situation where they may be used indefinitely, thereby negating some of the key benefits of the SM programme, i.e. innovation and seamless switching between credit and prepay methods. It also has the potential to penalise customers with large standing charges and could severely impact the SoLR process.
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.	✓		Yes, Energia agree that the range accurately depicts the range of policy designs in this area. What is critical is not how "real time" is defined but the level of expectation that is set for prepay customers concerning how they perceive "real time" to be, along with ensuring that there is a degree of harmonisation among networks, third party payment channels, suppliers & shippers to ensure a homogenised customer experience.
4	Respondents are invited to provide their views on these examples.			In the smart world, the update needs to be applied as soon as possible. This is necessary to facilitate the growing number of people making top ups online or via apps and to ensure the customer experience is a positive one. In Northern Ireland, 22% of top-ups are via automated channels and this method of applying credit to accounts is ever-expanding. As a result, the other two examples are not necessarily valid for a thin

				solution as they are a remnant of the legacy systems currently in situ.
5	Do you agree that further policy detail is required in respect of how the minimum alert levels are set? Please provide rationale.	✓		An element of further detail will be required but this will be only to set absolute values for some of the necessary thresholds. Once generic guidelines are put in place, it should be left to suppliers to determine when additional messages and alerts are sent.
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, Energia agree that this provides a wide range of possible designs
7	Respondents are invited to provide their views on these examples.			The examples vary from a light tough regulation option (1) to a heavily regulated and standardised option (4). To enhance the current customer experience, it may prove beneficial to have an improvement on the current approach which is a single alert in the home. Suppliers should be free to innovate and enhance the level of alerts to suit their customer base and also to differentiate themselves, thus promoting competition.
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?		✓	No, this is not a significant enough issue if there is a default option such as a signal being sent to the meter that could trigger an LED or audible alert that could be used as the default credit warning. It is important that suppliers may need direct access to the meter for some processes such as ad-hoc reads and alerts.
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.	✓		Some level of detail will be required to develop the policy for minimum provisions. However, much of the framework already exists via the existing PAYG design and what is needed is a clear methodology to ensure large debts are not accrued by a customer in between receiving a low credit warning and then being disconnected the following day (e.g. Example 1 in Q10).

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.	✓		The range depicted accurately depicts potential variations of design that could be consistent with the high level design. However, not all of these designs may be palatable to all parties, such as the potential to only disconnect those who do not regularly make top up payments. However, there may be a case where disconnections must be allowed based on estimates. In some instances there will be times when network operators send estimated HH data for a number of days due to individual comms issues. If a supplier waits for actual data in order to disconnect the customer, the customer may be in a large minus credit situation and may have difficulties repaying this.
11	Respondents are invited to provide their views on these examples.			Energia strongly disagree with the second example. Please see our previous answer for more detail. The installation of a prepay meter is to ensure that further debt is not accrued by those who have fallen into debt. For those who have chosen prepayment as a lifestyle choice, once adequate notifications are sent to customers of impending disconnection due to low credit and adequate payment channels are available, there should be little or no reason for people to build up debt levels. Also, disconnection numbers will be low. A CCNI report in 2004 showed that only 27% of customers self-disconnected in the previous year, and of this number only 13% of them were for financial reasons. In total, 3.5% of disconnections were because of financial hardship.
12	Do you believe that these provisions – emergency credit and friendly credit periods should remain in place for smart PAYG?		✓	It is expected that some provisions may remain in place (e.g. Friendly Credit periods) with smart prepayment. However, the process for emergency credit may need to be reviewed due to the slightly different methodology of applying credit to an account combined with the fact that credit will sit on the supplier's system rather than on the meter itself. Frameworks relating to this should be discussed outside the context of the Smart Metering programme as they relate to existing market rules.

13	Should friendly credit provisions be extended to cover gas?	✓		An element of friendly credit provisions should also be extended to cover gas customers. Again, these decisions should sit outside the framework of the programme.
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?	✓		In order to ensure reconciliation between a customer's balance, consumption and credit top-ups, it is vital that consideration is given to when the daily meter reads can be delivered. In fact, it is deemed vital that PAYG customers are given priority to reads in the market design.
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?		✓	No, it is in the supplier's interest to ensure that the read is applied to the customer's balance as soon as possible to ensure they have a positive PAYG experience. This can help act as a differentiator between different 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.	✓		Yes, this is no different to the current situation and while we would hope that situations such as these would be further minimised in a smart environment, there will always be a small % of outliers who require special treatment and consideration.
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.	✓		Further work will be required to ensure that not only does the customer have a positive PAYG experience but, more importantly, that all necessary safety protocols are developed and adhered to.
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.	✓		Yes, this accurately depicts the range of possible designs
19	Respondents are invited to provide their views			It is accepted that some level of regulatory framework will be required to

	on these examples			ensure reconnections occur promptly but much of this will be determined by SLAs between payment agents and also GNI and ESBN. All payment providers are now able to send payments real time. The variable in the de-energisation/re-energisation process is the length of time it takes a supplier to send a message to networks, process the message through the market infrastructure and for networks to process and send to the meter. It is also important that a customer is not disadvantaged for using a specific channel to top up due to them being unable to use other channels. As stated above, it is in the supplier's interest to reconnect a customer promptly, assuming all protocols and guidelines have been adhered to. The final option and Option 3 may not be viable, insofar as it may not be possible or desirable to reconnect a customer simply because they request a reconnection.
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?	✓		It is important that any policy decisions determining how a customer should be reconnected based on top ups should be debated at as early a stage as possible. This reduces the risk of policy uncertainty and also will allow suppliers to develop their systems and customer service offerings at an early stage. The later these decisions are left, the greater the risk that these policy uncertainties could prove more difficult to overcome at a later date.
21	Which of the above methodologies do you consider preferable? Please explain your rationale.			Assuming that legacy debt is not included in the consideration of whether the top up is enough to put the person back into credit (we assume that a portion of the vend is used to reduce the legacy debt and that is handled separately to determining the current balance of the customer at the meter), the first two options may be more palatable. However, one issue with the first option is the complexity regarding estimating usage since the last top-up. Option 2 may be an easier system and also for customers to understand.

				An improvement would be for suppliers to get a realtime on-demand read from the meter just prior to sending the disconnect message. This would cover both options as the top-up required would be almost exactly correct.
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, Energia believe that the policy is formed adequately for this. Our main concern is that within the current thin model, customers will only be able to receive an indicative balance on demand (where possible). This puts the customer at risk and needs to be investigated further. The cause of this issue is the fact that meters will be polled once a day. While it is possible to predict the customer's balance at any given point in a day using algorithms that examine past consumption trends, this will not take into account exceptional circumstances. Again, it should be possible for suppliers to get an "on demand read" from the meter and recalculate a PAYG balance and send when needed, e.g. CoT etc.
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.	✓		Yes, we believe this covers the potential options available
24	Respondents are invited to provide their views on these examples.			A key feature of smart PAYS will be the ability of customers to obtain their balance when needed. This may only be an indicative value however. Currently there is an option for them to obtain that balance in the home but, while desirable, this may not be possible in the same format in a smart world; mainly due to the fact that the balance will not be held on the meter. On demand balances in the home are available via such energy suppliers in the UK as Ovo Energy. However, it is important to note that the service offered by Ovo is based on one daily read.

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.		✓	It should be deemed no more important than for lifestyle PAYG customers. Customers in financial hardship will be protected by market rules that are currently in place and innovation should be used to drive better communication channels to customers.
26	Do you agree with the above assessment? Please provide rationale.			This is a positive aspect of smart metering that can be exploited to the customer's gain. It is important to note that there should be limitations regarding the frequency with which a customer can swap back and forth between credit and prepay but, overall, the process will be much smoother in a smart environment
27	Do you agree that transferring between smart and non-smart PAYG should be considered as part of the detailed regulatory design?		✓	There is a need for some element of regulatory design to set some basic rules regarding customers switching but the rest of the work will consist of SLAs and market processes that can be captured outside the regulatory framework However, there have been no market process discussions about moving between Smart and non-smart PAYG. This needs to be addressed, particularly because of such issues as misallocated payments.
28	Do you agree with the above assessment? Please provide rationale.	✓		Energia broadly agree with the above assessment. Any decisions regarding refunds should be deemed to fall outside the remit of the SM programme and should be debated elsewhere.
29	Do you have any further comments?		✓	Energia have no further comments to make

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