

**Submission by the Society of St. Vincent de Paul
to the Commission for Energy Regulation**

**Consultation on National Smart Metering Programme
Smart Pay as You Go
(CER /15/054)**

May 2015



Society of St Vincent de Paul

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Introduction

The Society of St. Vincent de Paul (SVP) welcomes the opportunity to respond to the CER consultation on Smart Pay as You Go (PAYG). As a stakeholder in this process the SVP sets out its concerns in relation to some of the core suggestions proposed in the consultation document and questions whether Pay as You Go customer needs have become secondary to the capacity of available technology. Therefore this response is not confined to the PAYG consultation but also takes account of:

- The objectives of smart metering
- The implications for customers of the present proposals
- The consultation process
- The wider roll-out of Smart metering

The objectives of smart metering

In order to respond to this consultation the SVP has returned to the original objectives of smart metering and our original submission to understand the implication of the current proposal. We recall that one of the 'guiding principles' seeks to ensure that PAYG customers are not disadvantaged by their Smart meters.

In our January 2014 consultation we stated that:

SVP believes that the primary objective for smart metering is to enable the customer to manage their energy consumption and related costs more effectively, be they credit or PAYG customers. Providing customers with appropriate choices and information to make decisions will then enable these customers. SVP seeks to ensure that smart metering offers maximum opportunities for vulnerable households to use and pay for energy.

Our submission emphasised the need for customer friendly information:

SVP proposes that alongside credit balance, customers will automatically be given practical information such as net available credit for energy, i.e., credit net of standing charges and debt repayment. This will ensure alignment with one of the key strategic objectives of the NSMP, i.e., 'to empower customers to make better decisions regarding their energy use by providing them with accurate, detailed and more frequent information on their energy consumption and costs'

The thrust of the SVP submission was that customers would benefit from information that would help them best manage their energy use as well as inform them of their credit balances etc. The assumption in our submission was that this information would be readily available and easily accessible for customers when they needed it most.

It is therefore of concern to the SVP that the present CER approach places an onus on customers to access information as opposed to the 'new smart world' providing information readily to them. This would appear to be counter intuitive considering the experience to date of Irish customers remaining passive in relation to their energy use and contrary to the desire of the Government's policy proposals relating to 'empowered energy citizens'.

It is the recollection of the SVP that previous consultation documents did not indicate the potential outcome of the decision making process, namely that PAYG customers would become distanced from their energy information and that the proposal would, in the crucial respect of energy reconnections, mark a backwards step for existing Pay as You Go customers. Returning therefore to the guiding principle that customers would not be disadvantaged by their smart meters it would appear to the SVP that the consultation seems more focussed on the technical capabilities of smart metering rather than customer needs, e.g., capitalising on real-time, accurate data as opposed to customer needs and how they use electricity and respond to information. In effect, the consultation focuses on the 'how' rather than the 'what'.

To add some colour and context to the Smart PAYG proposal the authors must consider the customer scenarios. An example may be a mother cooking for their family using an electric oven. The supplier receives belated data via yesterday's meter reading that she has a low credit balance. Despite audible warnings the meter has not been topped-up and the energy disconnects. She is outside of friendly credit hours. The chicken is half-cooked. She sends her child to buy credit in a nearby shop. She rushes to top-up the meter but it does not automatically reconnect, unlike her non-Smart PAYG meter. She waits for reconnection as her top-up is processed by the merchant, the data transferred to networks and then to her supplier and then her meter is topped up by the supplier. The child took 15 minutes to purchase the credit, the data transfers (but is susceptible to delays) and the customer is waiting an additional X time for cooking to resume. The child asks her mother is the chicken safe to consume?

In light of such scenarios placed in the context of the CER proposals SVP believes that the regulator must not only consider the objective of smart metering but also state explicitly what the underlying customer focussed principles are for the project. To this end the SVP has identified 3 principles which should inform the decision making in relation to this Pay as You Go submission but which could also apply to other customer related considerations.

Key principles for the Smart Metering Pay As You Go Consultation

The SVP response to the consultation questions is informed by three key principles, these are:

- Customer information must be informed by the customer needs
- Minimum service thresholds should meet the needs of customers
- Technological solutions should be informed by customer practice and cost effectiveness

Customer Information

Information to customers should be provided in the most practical and cost-effective manner, especially where a degree of potential inaccuracy in the information would not decrease its value to the customer, for example the availability of an on demand balance or other information within the home, consumption data to within 24 hours (in the case of reconnection top-up required).

Minimum service thresholds

As a matter of principle, a minimum threshold should be set for a range of services and information / information channels deemed to meet the 'needs' of most customers, especially vulnerable customers. The current PAYG technology offers a useful benchmark in terms of information and responsiveness, say in terms of disconnection and times of reconnection. In other services, the current experience needs to be revised and improved, e.g., low credit alerts. The market can then respond to customer 'wants' through differentiating services.

Technological solutions

In finalising the high-level design, the CER recognise the rapid changes in technology but CER also needs to factor in customer behaviour and cost-consciousness which results in longevity of technology and the need to accommodate legacy technologies over many years especially in terms of customer communication channels.

The roll-out of Smart Metering

The roll-out of smart metering is an ambitious project to replace every meter in the country with new generation meters. The roll-out is stated Government policy and the on-going consultation process is very much part of that agenda. The timelines for the process are near term with a consequent frenetic schedule of activities. However, looming large within this schedule is a cost benefit analysis proposed for 2017. This cost benefit analysis will have an important impact on the viability of the project for two reasons:

- a) If the project is shown to have a negative cost benefit then Government will have to reconsider the project. Government, however, may still opt to continue with the programme.
- b) The potential for technological advancements and greater understanding of behavioural attitudes may overtake decisions made in the present period.

Considering these large variables the Society of St. Vincent de Paul suggests that sufficient flexibility and forethought is given to the above eventualities. It therefore behoves CER to be willing to amend decisions in light of new information.

The consultation process

There are a number of challenges facing non-specialist/ non-industry respondents in the CER consultation processes, these are:

- The technical level of the consultation subjects
- The frustratingly inadequate CER website
- The length of time between consultation submissions and CER decisions
- The absence of direct feedback to respondents

CER has gone to some lengths to improve the consultation process for consumer groups and SVP is happy to note that CER colleagues do make themselves willingly available for assistance and advice. However, as is the case in this consultation, the length of time between consultations requires one to reacquaint oneself with the terms of the various consultations and the absence of direct feedback at the time of the CER decision distances one from the implications and thinking of the decision itself.

Across a variety of issues the SVP has stressed the need for CER to adopt a customer centric approach through the establishment of customer teams or similar. This absence and need is not exclusive to Ireland and SVP has previously cited the European experience of the CEER.

In 2012, the Council of European Energy Regulators (CEER) belatedly recognized the importance of customer-focused regulation and has sought to overcome this deficit by creating a “2020 vision for European Energy Customers”. Given that competitive electricity markets started to open as far back as 2000, it would appear that across Europe regulators have been highly driven by market, technical and economic considerations, the assumption being that a properly constructed competitive market will provide the customer with the best offerings at an affordable price. However after some 15 years, European regulators are now realising that the customer also needs to be considered explicitly and have developed a vision that acknowledges the need for *'an energy market that engages with, and understands the diverse needs of customers; that delivers services that meet those needs, whilst protecting customers' interests; ... offering all customers a fair and affordable deal'*.

The council has developed key principles to guide the achievement of that vision. They include two in particular which we would identify with:

- Affordability (fair prices and energy saving measures) and
- Protection & Empowerment (with specific reference to vulnerable customers).

The Council sees this Vision as a *'valuable means of giving greater priority to customer issues, based on more effective engagement with customer bodies'*. They also plan to examine the interaction between Regulatory Authorities and organisations representing customers' interests to see how improvements can be made. SVP has worked closely with CER in relation to promoting sustainable energy billing policies which recognise the budgetary challenges facing many households. We have also promoted the idea of customer stakeholder groups chaired by the Regulator as a way for advocate groups to get the needs and concerns of vulnerable customers as close to decision making as possible.

SVP Response to CER Consultation questions on SMART PAYG

Q1. Do you agree with assessment of possible changes to regulation of changes for customers to transfer credit to PAYG?

The assessment is a useful tool to consider the variety of ways customers switch to becoming PAYG customers. Amongst the factors that SVP sees as a benefit include overcoming the present barrier that landlord permission presently represents. Not explicitly mentioned is that, to date, some customers have also had to rely on SVP/MABS advocacy to get a meter installed and the role of SVP/MABS and others in publicising the benefits of PAYG. Smart PAYG in many respects overcomes that need. The section does not sufficiently acknowledge however the barrier that retailers surcharging on top-ups represents nor does it propose practical or policy options to overcome this issue. The assessment crucially does not identify that the present smart proposals represent a reduction in information and functionality of existing 'non-smart' PAYG and that such customers would have to be informed of this change.

Q2. 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.

It is unclear which meters are being referred to here. The consultation suggests a number of customers have PAYG installed already. There are in fact a substantial number of prepayment meters in existence made up of PAYG (Hardship), Lifestyle pre-payment meters (4 suppliers) and old technology budget controllers.

In relation to old technology budget controllers these have proved cumbersome as they require manual recalibration which has not proved effective for customers. The Smart metering project should aim to dispense with such old technology as a matter of urgency.

Q3. 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.

It is the understanding of the SVP that these proposals represent a backward step for PAYG customers. The present technology automatically updates the customer balance and crucially immediately reconnects their electricity in the event of disconnection. Far too much emphasis is being put on the capacity of the technology as opposed to the minimum customer needs. The clear need is for a technological solution that moves forward rather than backward from the present PAYG technology.

Q4. Respondents are invited to provide their views on these examples (of possible designs for balance update).

We believe that at this point it is reasonable that the regulatory framework would most closely match the current customer experience. Applying the balance within a minimum defined period of say 15 minutes would offer a satisfactory customer experience and hopefully an achievable and cost-effective service level for energy retailers. We would not agree with a service level that is ambiguous and open to interpretation, e.g., near-realtime. In the event that telecommunications networks continue to deliver in terms of performance / reliability and customer requirements change, this requirement can be re-visited at the detail design stage. SVP's view on the timing of balance updates should not however be misinterpreted as tacit approval for similar delays in reconnection times. SVP strongly advocates for immediate reconnection.

Q5. Do you agree that further policy detail is required in respect of how the minimum alert levels are set? Please provide rationale.

At this high level design stage the level of detail on options is sufficient. It could however recognise the practicalities of this process as with any payment process, that the customer is aware or can be reminded of when the last reading was taken and/or top-up recorded which would also inform them of their status.

Q6. 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 provided outlines an adequate spectrum of policy designs. However, as mentioned in response to Q5 above, 'what' alerts are provided must be informed by the 'how', i.e., channel used to provide the alert and advise the customer of their account status. For example, the single alert option (available in the home) is unworkable if the meter is inaccessible and if smart meters are positioned in external meter boxes then even more so. In fact, the project will then be installing smart meters in a location designed explicitly for non-smart meters.

Q7. Respondents are invited to provide their views on these examples (of customer alerts)

We do not believe that in this case the regulatory framework should be focused only on retaining the current experience as a minimum. We would favour Option 3, where the regulatory framework would create a new set of minimum standards for the accuracy of the alerts that customers can expect while informing them on any caveats relating to that alert, e.g., based on last top-up as of dd/yy/yy. These minimum standards should be defined based on the what has become possible with smart PAYG.

We should not depend on competition only to improve the flow of information to PAYG customers (of which alerts form one part). We should set an agreed minimum standard and allow competition in the market to improve on that minimum standard if they so wish by offering more sophisticated information to PAYG customers

Q8. 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?

We consider that given the rapid evolution of technology and customer behaviour that this is a significant issue and consideration should be given to minimising the possibility of a customer missing an alert, e.g., seeking an acknowledgement from the customer.

Q9. 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.

Further policy detail is required, but also practical and cost-effective solutions are required. Because data is available in real-time or near real-time, does not mean that all services need to be provided on this basis. In the event that the additional information processing required for smart meters will mean that customers are not able to access current information and may be disconnected during night-time hours further regulation will be required to offset the potential loss of information for customers.

Accuracy to within one day would be adequate for most decisions and a degree of potential inaccuracy in this information would not decrease its value to the customer. If more granularity is required, such considerations may be considered at the detailed design. Again, it is important to customers and particularly vulnerable customers that such details are clear and consistently applied across all suppliers.

Q10. Do you think that this range accurately depicts the range of *possible* detailed policy designs in this area (for disconnection) that are consistent with the high level design? If no, please explain why.

SVP has proposed that the customer experience of Smart PAYG should not represent a diminution of the functionality of non-smart PAYG. Therefore the range of Smart PAYG does not adequately represent the customer experience however well it describes the range of possible designs of the Smart PAYG.

Q11. Respondents are invited to provide their views on these examples (of disconnection design policy)

The regulatory framework would be focused on minimising disconnections for PAYG customers. This model would go beyond the current protections for PAYG customers, and would assume that some level of debt is always preferable to a disconnection. This is in keeping with the treatment of credit customers. It also has to be balanced with incentives to encourage customer behaviour in the new evolving PAYG market.

Q12. Do you believe that these provisions – emergency credit and friendly credit periods should remain in place for smart PAYG?

SVP believes that CER should conduct an analysis of the present emergency and friendly credit use to establish customer reliance on these instruments. Anecdotal evidence suggests there is heavy reliance on these facilities in the present market.

Q13. Should friendly credit provisions be extended to cover gas?

Absolutely

Q14. Do you think that a requirement should be considered for the length of time that it takes the network to deliver the daily meter read?

The level of transactions now required is staggering and the potential for error and delays is maximised – as stated in question 10 above, the customer needs must dictate the technological decisions required.

Q15. 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?

In the event that present PAYG customers were not regularly self-disconnecting this would be a moot point. The evidence, albeit anecdotal, that customers are already heavily reliant on friendly credit suggests that customers are reaching a critical moment in their energy credit but in the ‘smart world’ without access to accurate information. The issue of diminution of service applies again.

Q16. 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?

As CER notes, some customers have additional needs in relation to topping up in order to minimise the risk that they run out of credit:

- Top up channels that facilitate the use of cash (as opposed to cards) may be required as not all customers will have bank accounts;
- Small minimum transaction/top up amounts may be required as customers may have limited funds at any given time (topping up more frequently); and
- A third party may need to buy a top up on the customer’s behalf (e.g. when the customer is incapacitated).

These are all practical examples of current requirements of vulnerable customers. We would also revert to Guiding Principle GP5 which indicated support for ‘PAYG mode to support payment channels for customers without mobile or internet access’.

Q17. 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 SVP finds it hard to envisage a scenario where the minimum provision would represent a diminution of what is currently available to customers. Essentially CER, as a customer advocate, should only consider one provision, namely immediate reconnection.

Q18. Do you think that this range accurately depicts the range of *possible* detailed policy designs in this area (disconnection times) that are consistent with the high level design? If no, please explain why.

Ultimately the policy design should follow the customer need, namely a technological and policy design needs to be found that meets customer need.

Q19. Respondents are invited to provide their views on these examples (of disconnection policy).

The regulatory framework should be focused on providing consistency for customers across top up channels and suppliers in terms of minimum experience that a customer can expect when they need to be reconnected. The experience should at least match that of existing PAYG customers. Facilitating a quicker reconnection based on the payment channel used is a refinement which we would feel is unnecessary for this stage of design.

Q20. 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?

Yes

Q21. Which of the above methodologies do you consider preferable? Please explain your rationale.

We believe that the top up should be set at a pre-set or fixed amount (e.g. the customer is told when they disconnect how much they need to top up to be reconnected). This offers a simple transparent mechanism for the customer which is not dependent on estimating how much they have used since the last read (which will be in the last 24 hours).

Q22. 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.

In our submission on to the consultation on Smart Metering – High Level Design in Jan 2014, we made the following points based on our experience and research on current information provision to PAYG customers.

Consideration should be given to amending this section to refer to broader account information required to manage their account (not just credit balance), e.g., standing charge, repayments, and available credit for energy. This would emphasise and encourage customers to focus on use as much as credit. There seems to be an overemphasis on credit balance at this stage rather than account information. Therefore SVP proposes that alongside credit balance, customers will automatically be given practical information such as net available credit for energy, i.e., credit net of standing charges and debt repayment. This will ensure alignment with one of the key strategic objectives of the NSMP, i.e., 'to empower customers to make better decisions regarding their energy use by providing them with accurate, detailed and more frequent information on their energy consumption and costs' (CER 12008, Section 3.4). We attach a tabulation of current

information provided to PAYG customers here and in the UK to inform this discussion and ensure this requirement is taken account of at the earliest stage of the design process – see Appendix 1.

SVP believes strongly in the opportunity of smart metering to provide all customers with a new more informed outlook on energy usage. Instead of focussing solely on credit usage, it would be preferable for customers to approach the system as a tool for ‘managing my energy consumption’ or ‘managing my energy budget process’. This may be reflected through literature, but more importantly through the calibration and presentation of information of in-home displays, the meter itself or other channels. We are seriously concerned that this opportunity is being ignored.

Q23. Do you think that this range accurately depicts the range of *possible* detailed policy designs in this area (for providing on demand balance) that are consistent with the high level design? If no, please explain why.

SVP believes that certain core information must be provided to customers on an accessible basis. On demand functionality assumes customer responsiveness. Suppliers may wish to provide such customers with additional information on demand, but this should be over and above the minimum information requirements set out by the SVP in the question above.

Q24. Respondents are invited to provide their views on these examples (for providing demand balance).

We firmly believe that the regulatory framework should be focused on aiming to take the current (non-smart) PAYG customer experience as a minimum with the provision of information in the home including credit balance. Current PAYG technology has evolved to provide the customer with a wide range of information to help them manage their budget and their usage. (see our submission of Jan 2014). A minimum number of parameters should be regulated for provision in the home (via IHD or other device) and leave it for the market to determine whether additional information and provision outside the home is something that customers would value. We believe that that customers will value the availability of an on demand balance and other information within the home, (the only place they can respond to these signals is in the home!) and that a degree of potential inaccuracy in this information would not decrease its value to the customer, i.e., accurate to within a day.

Q25. 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.

As outlined in the document, an on demand balance is likely to be of greater importance to some customers in financial hardship, who spend a greater proportion of time with a very low credit balance. A display of the on demand balance and other information will be particularly helpful to support these customers in budgeting for their energy use. This should be considered in the context of overall information flow for smart PAYG customers as suggested above. However, the evidence is that a smart meter and improved information flow is not enough to change behaviour for vulnerable customers in or near energy poverty.

We draw your attention to aspects of a recent report in the UK - *Developing an Extra Help Scheme for vulnerable smart meter customers* (research undertaken by NEA for Citizens Advice - September 2014)¹.

“With regard to support to realise potential energy savings from smart meters, it is noted in Smart for All (2012) that ‘caution should be exercised to ensure customers in vulnerable situations are not overloaded with information’ at the installation stage.(p32)....”

¹<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/essential-services-policy-research/developing-an-extra-help-scheme-for-vulnerable-smart-meter-customers/>

“UK trials engaging vulnerable households with smart meters provide useful insightsThe Smart Communities Project, led by Kingston University and run with local residents of north Kingston-upon-Thames in London, offered free OWL energy monitors (not smart meters) to project members to help them monitor their energy use. The monitor was combined with community action, social marketing and home visits. The latter were deemed to be most successful when providing bespoke and practical demonstrations, as opposed to generic tips and advice. The project organisers did emphasise that such visits can be time consuming however, and difficult to scale up (DECC, 2014a)”.

“Currently, the smart metering programme appears to be relying on outreach messaging through the CDB, along with the provision of an IHD and basic energy efficiency tips, to facilitate the requisite level of behaviour change required to deliver energy saving benefits to consumers. For vulnerable consumers, this is at odds with best practice, where our review of evidence suggests ‘hard-to-reach’ households that may be on low incomes and in or near fuel poverty benefit from personalised and face-to-face support and advice. “Previous smart metering trials have found providing a meter in combination with bespoke advice on energy and financial literacy has the greatest impact on facilitating behaviour change [SVP emphasis]. In the energy sector, the provision of in-home visits combining personalised energy advice with low-cost measures is a proven and effective method to support vulnerable households.” (p125).

On the basis of a detailed pilot programme with some 36 customers (mostly vulnerable customers), a research report by NEA on behalf of DECC and Customer Focus (2012)², recommended:

'The IHD mandated for roll-out should include accurate account balance information, updated in response to usage to give consumers a running total of how much they are spending and how much they are on course to pay at the end of the next billing period. This should include all standing charges and other costs.'

Drawing on the findings of such research is crucial to CER’s approach to learning from the experience of other jurisdictions.

Q26. Do you agree with the above assessment (of changes needed to move from Bill Pay to PAYG) ? Please provide rationale.

It would be preferable for these processes to be aligned between electricity and gas. However, the consultation document fails to note that presently gas customers face a charge if they uninstall their PAYG meter. Under the proposals in the consultation the potential removal of this barrier is beneficial.

Q27. Do you agree that transferring between smart and non-smart PAYG should be considered as part of the detailed regulatory design?

Yes, this is vital. Due to customer and landlord perceptions the present PAYG model has been negatively affected by assumptions that a meter is a costly option. It is therefore essential, particularly for tenants that there is a clear regulated process which gives certainty and protection to their supply preferences.

Q. 28. Refunds on change of suppliers

SVP does not have a particular view on this but notes the CER consultation on debt management within which respondents may also have addressed this question.

² <http://www.consumerfocus.org.uk/publications/smart-for-all-understanding-consumer-vulnerability-during-the-experience-of-smart-meter-installation>

Conclusion

The SVP understands that significant time and resources are being employed by CER to prepare the groundwork for the possible roll-out of smart metering. Decisions at present are focussed at a high level and it is therefore essential that the guiding principles of smart metering and customer focus of CER are applied to high level decisions.

In light of the proposals contained in this consultation SVP has proposed the following principles:

- Customer information must be informed by the customer needs
- Minimum service thresholds should meet the needs of customers (the market alone will not meet all of the basic needs)
- Technological solutions should be informed by customer practice and cost effectiveness

The response of the SVP to this consultation suggests that there is insufficient customer focus in the consultation proposals. SVP has previously proposed that CER should strengthen its customer focussed resources and this suggestion still pertains.

In its response to CER in this and other consultations SVP has drawn on research and experience from other jurisdictions. The design of customer orientated products should be informed by good industry practice and especially customer experience / research in other jurisdictions, e.g., UK. The SVP notes the absence of references to such studies in this consultation.

SVP welcomes the efforts made by CER to make its consultation papers more accessible to non-industry bodies and to promote stakeholder involvement through the stakeholder forum. However due to delays in the consultation process and our distance from the CER decisions and their implications SVP is concerned that the important issues raised in this consultation process may have been missed. SVP believes there is scope for the SVP and CER to further improve the consumer consultative processes and engagement and remains happy to play a role in achieving this.