

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

on

**Consultation on Consumer Policy Papers of the
National Smart Metering Programme**

(CER /15/136 and 137)

September 2015



Society of St Vincent de Paul

Introduction

The Society of St. Vincent de Paul (SVP) welcomes the opportunity to respond to the Commission for Energy regulation's (CER) recent consultation documents on the National Smart Metering Programme (NSMP). We would also like to acknowledge at the outset that as part of this consultation process CER made contact directly with consumer organisations to brief them on the contents of these papers as well as engaging these organisations through the Consumer Stakeholder Group (CSG) process.

Smart Metering Consultations

For non-industry commentators CER documentation still remains difficult to access and respond to. To some extent this is a product of increased range and complexity of issues and necessary technical detail as the NSMP moves into more detailed design. This increases the onus on CER to continue to seek more consumer friendly ways of communicating information, decision making factors and decisions made, e.g., through bi-lateral meetings and workshops. It is noteworthy that there was only one consumer response to the previous consultation document on 'Smart Pay as You Go' (from SVP) and we will see in due course if the greater level of engagement by CER with stakeholders results in more responses to these consultation papers or whether alternative processes such as bi-lateral meetings or workshops prove more fruitful.

Smart Metering

The smart metering proposition is a complex undertaking involving many stages of stakeholder consultation, economic consideration, technical complexity, with multiple and overlapping processes, public engagement and acceptance, and political decision making. Furthermore this proposition is happening at a time when suppliers continue to offer more products to market, including some already using the 'Smart' name (SVP has advised CER of our observation that in the event of suppliers liberally using the 'smart' brand that this will add to customer confusion and could undermine CER's smart metering roll-out.). In our observations on the consultation documents SVP raises concerns about the level of potential customer confusion in a market with an expanded range of products and services.

Smart Metering PAYG

Mindful of ever improving technology and factors existing or proposed in the current market the project should be orientated towards what customers require as opposed to what present technology can deliver. In our last submission, on Smart PAYG, SVP stressed this perspective and notes that some of our misgivings appear to be shared amongst other stakeholders, most notably suppliers. In light of these considerations this submission by SVP takes into account customer attitudes towards their present PAYG meters as well as experiences of Smart metering from other jurisdictions.

Time of Use Tariff

Our detailed responses to the questions on Time of Use (ToU) tariffs deals with the specific questions set by CER. However, the proposition that smart meter installation and ToU tariffs will arrive simultaneously may prove over ambitious. There is no doubt that the public mood must be tested in relation to the installation of meters as well the introduction of new tariffs into the market. While the importance of customer buy-in is acknowledged in the consultation documents thought does not appear to have been given to the possibility of delaying the introduction of ToU to allow customer acceptance of smart meters. One could argue that a similar approach to water metering may have reduced the negative public sentiment to both meters and charging. While SVP welcome CER's consideration of phasing the introduction of ToU tariffs we continue to have concerns about the levels of exemptions and derogations afforded to customers for whom ToU tariffs may not necessarily result in lower costs when faced with the complexity of life.

Cost Benefit Analysis 2016 and future Smart metering consultations

Increasingly it appears to the SVP that a number of factors are impacting on the viability of the NSMP and leading to lengthening timescales, e.g., decreasing energy consumption, renewed debate on the design issues. With the cost-benefit analysis planned for late 2016 looming large, it is proving increasingly difficult to commit the resources required to the technical consultation processes if a level of doubt remains as to whether this project will proceed as originally planned.

CER National Smart Metering Programme Rolling Out New Services

Time-of-Use Tariffs and Smart Pay As You Go Proposed Decisions and Further Consultation – Ref /15/136

Question		Response		
No.	Question	Yes	No	Rationale
1	Do you have comments on the CER's Proposed Decision for making the transition to Time-of-Use Tariffs, or further evidence or reasoning that you consider to be relevant to the Proposed Decision?	✓		<p>While SVP welcomes a more phased approach to the implementation of ToU tariffs as part of any proposed smart meter roll-out, we remain concerned that the primary objective of CER is to move all customers to TOU tariffs. In considering any transition to ToU tariffs, we will continue to focus on the first three (customer-focussed) CER criteria, i.e.,</p> <ul style="list-style-type: none"> • Easy to understand for customers • Engaging for customers • Providing choice and protection for customers <p>In particular, we will be focussing on the relative merits of these in relation to vulnerable customers. At this stage we would reiterate our concerns raised already, namely that some key elements of the CER decision is that: <i>Suppliers must use take reasonable and effective steps to migrate all relevant customers to an appropriate Time-of-Use Tariff in a timely manner.</i></p> <p>SVP maintain that that for some vulnerable customers a ToU tariff may not be suitable and indeed be more expensive. We would suggest that ToU could be as unavailable to vulnerable customers as switching has proven to be. Thus the requirement for not only industry, but also CER, to provide derogations and exemptions must be made more explicit. It is noteworthy that the possibility of derogations and exemptions are not illustrated in the proposed decision 'spectrum of examples'.</p>
2	Do you have comments on the need for, and content of, CER Guidelines to complement and give practical effect to the CER's Proposed Decision on making the transition to Time-of-Use Tariffs – including, where relevant, with reference to options presented in Sections 4.2 to 4.5?			<p>In terms of CER Guidelines for Suppliers, we again focus on the criteria above. Given the multitude of offers in the market today for both credit and PAYG customers, SVP believe there will be a serious challenge for suppliers to provide ToU tariffs that are easy to understand, that engage customers and provide protection for vulnerable customers. While the CER proposal of a single smart tariff is welcome in this context, for some the value of a derogation or exemption may indeed be of higher value.</p> <p>In our Pre-Budget 2016 Submission to Government SVP advocates for local based energy advisors and proposes a pilot scheme to Government. In the event of Smart Metering roll-out local energy advisors could be key champions of the project.</p>
3	Do you have comments on the CER's Proposed Decision for Smart PAYG, or further evidence or reasoning that you			<p>In reviewing the rationale for the PAYG decision and the customer experience scenarios outlined, we are conscious of growing customer experience in PAYG and some less desirable practices emerging, e.g., increasing dependence on friendly credit and surcharging. We believe that there</p>

	consider to be relevant to the Proposed Decision?			is a lack of quantitative data on current PAYG customer behaviour, e.g., what information a customer values most and how this influences their behaviour. In the light of this and the rapid evolution of offerings in this (PAYG) market including smart phone apps, SVP suggest that that some formal research on customer feedback on PAYG to include vulnerable customers is essential to inform future decisions.
4	Do you have comments on the outstanding questions relating to the provision of prepayment services in the context of the NSMP and Smart PAYG, set out in Section 7.2 – including any evidence or reasoning that you consider relevant to the resolution of these issues?			<p>SVP welcome the recognition that vulnerable customers including those in financial hardship are a particular challenge and not all such customers may be suitable for smart PAYG. The CER notes that there are a range of scenarios which will emerge when Smart PAYG becomes available to customers, and that for a time at least, Legacy (Network installed PAYG) meters, Lifestyle/Budget Controller (Supplier installed PAYG) meters and Smart PAYG offerings will exist in the market together. One of the dilemmas facing decision makers on this issue is how to ensure those in most need of the cheapest energy prices obtain them easily, understand tariffs fully and can make a decision on whether to remain with the system they know or transition to Smart metering (and possibly ToU) seamlessly.</p> <p>Midnight Balance, Information Provision and Display The experience of Northern Ireland below shows the importance to customers of accessible information. The midnight balance discussion is really an industry based issue – the more important outcome is the information required by customers, amongst which is: how much usage do I have remaining. In our previous submission on Smart PAYG SVP asserted that Smart PAYG should have, as a minimum, the same functionality and information provision as the present generation PAYG meters. CER’s reliance therefore on information provided by text and/or mobile app raises the question of the reliance on the market to provide in-home displays.</p> <p>SVP also notes CER’s findings that customers like to check their balance on a frequent basis. The question however is what is meant by ‘frequent’ and does a single balance per day meet customer expectation. Research from customers may indicate a greater preference for real-time information than the midnight balance allows. SVP notes that it is to be left to suppliers to provide greater levels of information. SVP questions as to whether this decision is in keeping with the finding from CER’s own research.</p> <p>Emergency Credit SVP notes CER’s intention to leave the provision of emergency credit to supplier discretion – this decision is based on the proposals in relation to 2 negative midnight</p>

			<p>balances. This decision is taken without the analysis on customer reliance on emergency credit. SVP has misgivings about this intention without a full analysis of the markets use of emergency and friendly credit. It is evident in this scenario the offering of Smart PAYG is a step backwards from the functionality of existing meters.</p> <p>Further Research</p> <p>We feel that the research suggested under Q3 above would help address the growing complexity in the PAYG market and how best to protect vulnerable customers. SVP maintains its call for CER to undertake customer based research on the present PAYG model, including research into customer dependence on emergency and friendly credit. An example of customer feedback can be found at: http://prepaidenergyhub.com/northern-irelands-keypad-prepayment-success-story/ which outlines the following attributes that are considered to underpin Northern Ireland’s PAYG ‘success story:</p> <ul style="list-style-type: none"> • A more flexible vending system, which allows customers to buy credit over the phone or via the Internet, as well as at the traditional physical pay-points. The incumbent supplier Power NI has also launched a free smartphone app for checking balances and topping up. • Meaningful usage information provided via the meter and a remote display, including recent consumption history and an estimate of the number of days’ usage remaining. This feedback can help customers keep track of their usage and budget ahead more effectively. The remote display addresses the issues with inaccessible meters and allows customers to easily access information irrespective of where the meter is. • An audible low-credit warning from the meter, acting as a prompt to users to top up. • Emergency credit, to tide users over until they can buy credit. • Friendly credit, ensuring customers cannot be disconnected out of office hours. • A system to replace lost codes, so that top-ups are protected and consumers are never left out of pocket. <p>Surcharging</p> <p>SVP regrets CER’s “hands-off” approach to the issues of retail surcharging for cash top-ups of PAYG. While CER state that customers will be not affected for ‘better or for worse’ by the introduction of Smart metering one could argue the converse and state that Smart PAYG could be undermined if people discover that in fact they could end up having to pay a premium if they opt for Smart PAYG.</p>
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CER National Smart Metering Programme – Empowering and Protecting Customers
Proposed Decisions and Further Consultation – Ref /15/137
SVP Response to Substantive Questions

Question		Response		
No	Question	Yes	No	Rationale
1	Do you have comments or suggestions for how the information provided to customers in their Smart Bill and Energy Statement could be used to support the transition to Time-of-Use Tariffs?	✓		In reviewing the proposed content of the Smart bill and Energy Statement, we would again focus on the needs of vulnerable customers. While all of the proposed information is necessary for informed decisions, viewed in aggregate the information could be overwhelming. We urge CER to ensure that best practice be brought to bear on the design of such increasingly complex statements, e.g., accessibility, plain English. This is particularly important where our volunteers may be in the forefront of interpreting such information for customers. We would welcome the provision of ‘shadow billing’ information to show how a ToU tariff would have affected their bill.
2	Do you have comments on the extent to which further policy definition of the format, processes and/or timeframe for the provision of the HDF is required in this phase of work?		✓	At this point, SVP does not see vulnerable customers making active use of the HDF.
3	Do you have comments on the availability of data in the home as an effective, enduring platform for providing relevant, timely and useful information to customers? And are there any particular aspects where you consider the specification of minimum standards needs to be clarified, expanded or reduced?		✓	At this stage of high level design, given the dependence on industry to develop appropriate processes and protocols to facilitate innovation, SVP has no comments to make on how the HAN would facilitate vulnerable customers.
4	Question 4a – Do you have any comments on the most effective way to complement the enduring information channels by providing all residential customers with a display device or service (to build understand of energy usage and cost in an initial	✓		SVP sees the best option as Option A where each customer is provided with an In Home Display by ESNB as part of meter installation process, and the device is supported by ESNB for a period of two years. Supplier provided services run the risk of a cohort of more vulnerable customers not having access to a minimum set of information on energy usage.

	<p>period and to empower customers to make good choices over tariffs and services)?</p> <p>Question 4b – Please provide your views and/or evidence relevant to assessing the options presented in Section 2.4?</p>			
5	<p>Do you have any comments on how the change to retail market operation consequent to the NSMP may warrant changing the existing framework of customer protection, and how it is delivered – including any views on the materiality of the changes highlighted as potentially material in Section 3.6?</p>	✓		<p>SVP are fully committed to the review of the customer protection framework because we recognise as stated that the NSMP will change fundamentally the products and services that are offered to customers, the way in which market processes operate, and the volume and forms of information available. These changes in turn have the potential to be at best confusing for more vulnerable customers and at worst be detrimental to them if they make the wrong choices or do not have access to the intended benefits. In relation to other areas where there may be a heightened or altered risk of customer detriment consequent to the NSMP, we draw your attention to research completed by SVP on this topic in Victoria, Australia. While not all of this is relevant, we see some similar issues and are reviewing for relevance and materiality in the Irish context.</p> <p>https://www.aer.gov.au/sites/default/files/St%20Vince%20de%20Paul%20-%20Report%20-%20AMI%202009-11%20draft%20determination%20-%20submission_2.pdf</p>
6	<p>Do you have any comments on the role of policy in shaping outcomes for customers who are not able or willing to participate in full in the new services and information made available through the NSMP - either as a result of technical constraints or through choices that are afforded to customers in respect of the frequency of remote data collection?</p>	✓		<p>In relation to customers who are not able or willing to participate in full in the new services and information made available through the NSMP, SVP will be seeking to at least maintain current levels of protection and service and where possible through the enhanced customer protection framework, ensure that such lack of participation are not detrimental to them.</p>

The SVP would like to acknowledge the voluntary assistance of Mr. Tom Geraghty (C Eng MIEI) in providing technical expertise and examining the available research on the customer impact of smart meters, particularly for vulnerable customers.