

Smart Metering Programme Office  
Commission for Energy Regulation  
The Exchange,  
Belgard Square North,  
Tallaght,  
Dublin 24

22-01-2016

Dear Smart Metering Programme Office,

PrePayPower, as Ireland's largest prepay electricity provider, welcomes the opportunity to contribute to the Commission for Energy Regulation's Proposed Decision and Further Consultation Paper, "Empowering & Protecting Customers" (CER/15/272).

The paper sets out proposed decisions on:

- Harmonised Downloadable File;
- In-home information to customers;
- Marketing and presentation of smart tariffs to customers;
- Disconnection process;
- Third party service providers; and
- And customer choice in relation to the meter.

It also consults on some proposed detail for on the delivery of smart tariff information to customers.

We respond to these questions in order of importance for PrePayPower.

Question 7: Customer Choice in Relation to the Meter

**PrePayPower has become increasingly convinced of the need for the evaluation of a customer choice driven scenario within the NSMP, not only for the sharing of data but also for the installation of the meter.** Our view has been driven by the increasing likelihood that suppliers, networks, regulation and customers will have to live in a smart and non-smart world for the foreseeable future. If the economy of scale of a 100% smart metering roll-out will not be achieved, it is reasonable to explore scenarios where only those customers who wish to have a smart meter have one installed.

There is no rationale to proceed with the aim of a 100% roll-out when there is no legal obligation to do so in the face of a "broadly neutral", i.e. slightly negative cost benefit analysis, and no alternative counterfactuals other than "do nothing" have been explored.



On the assumption that such a customer choice context could yield a comparable CBA output (lower meter costs, low IT systems and data management costs, meters adopted by those customers who want to have them and will deliver most behavioural change) to the attempted-but-destined-to-fail full roll out scenario, the concept of a cost-reflective surcharge for those who do not want and will not use the meter becomes moot.

Finally, the language in the CER's proposed decision that customers who opt out of sharing half-hourly data "may" have poorer smart services does not adequately represent the reality of what their choice entails. Such customers cannot have an equivalent level of data provision from their supplier or smart pay-as-you-go services. The language in the proposed decision should reflect that.

#### Question 2: In-home Information to Customer

We simultaneously welcome the direction the CER is taking towards in-home information for customers, but are deeply concerned about one aspect of the decision's wording. We welcome the gradual move away from a Networks-provided in-home device to a customer. **We note that our budget controller – as we have argued across several consultation responses – exceeds the functionality of the mandatory in-home display (MIHD) specification in the October 2014 Decision. Under this proposed decision our budget controller is now a viable method to deliver in-home data to customers.**

We must raise issue, however, with the proposed decision that the supplier-led device (or supplemental service, the device remaining a back-stop) is provided at "no cost" to the customer. It is impossible to regulate the components of a supplier's general tariff in such a manner. Furthermore, if a prepayment supplier utilised their own budget controller to comply with the in-home provision of information to customers, this would imply the CER regulating the nature of the tariff employed by that supplier; PrePayPower would no longer be able to levy a service charge for the budget controller.

Alternatively, suppliers who are not in the position to have a budget controller are exposed to unknown costs levied by ESB Networks.

**We suggest that reference to "at no cost" could represent an inappropriate level of regulatory interference with retail pricing, and has potentially serious implication for licence holders to remain in business dependent on the enforcement of the regulation given the material costs of an IHD.**

Even if the regulation were transposed to "at no transactional costs", this would imply that suppliers cannot agree up-front payment with a customer that requires the service/device in the home. With no transactional cost, the CER would mandate that suppliers should take the upfront cost and finance that cost, irrespective of whether it would be more financially efficient for a customer to pay upfront, should they wish to do so. Why the CER should take this decision on behalf of all customers is unclear. Suppliers should have the flexibility to offer a once-off payment for the IHD, or bundle it into their standard tariff rates.



Overall, the “at no cost” provision within the proposed decision appears to create, at the least, an excessive level of regulatory intervention for no ascertainable benefit in the relationship between supplier and customer, or at worst be punitively expensive for a supplier to comply with.

PrePayPower has other detailed, secondary comments in this area:

- We note that ESNB back-stop device is only supported for two years. The support’s start and end time remains unclarified. In contrast, the requirement for suppliers to provide a service that must include a physical device appears to be enduring. Is it the proposed decision’s intent to only support the regulation that a supplier must have a “device” with an ESNB backstop for a transitional period?
- We note ESNB provide the backstop device. Is it possible for gas only suppliers to request this back-stop device from ESNB, and how is that relationship formalised?
- We would like to clarify where there are two suppliers (one for gas and one for electricity) whether a customer may have the potential of two different devices in their home, including the requirement to offer another device whenever a customer switches (presumably, each time creating new switching costs for suppliers)?
- This decision is difficult to analyse in the absence of any information regarding the HAN (accuracy, service levels, etc.).

Overall, this difficult “data in the home” area once again has a high-level policy decision which when one works through the detail, results in potentially irrational outcomes with high cost for the consumer. We believe in order to support a mature cost-benefit analysis arising from these policy decisions requires a greater degree of detail and regulatory impact assessment than that presented to date.

#### Question 3 (and 4): Presentation of Smart Tariff Information to the Customer

PrePayPower has no objection to the proposed decisions in relation to the presentation of tariffs, with one important comment. Where the industry moves to an annualised cost expressed in euros, it cannot be appropriate to use a single average consumption figure for all classes of customers. Prepayment customers use less electricity than average consumers. PrePayPower has extensive evidence that this is not due to fuel poverty, but rather due to increased cost sensitivity that results from the regular act of vending itself (alongside the presentation of the balance information in the home which drives that behaviour). By means of example, this is reflected in the gas market within the annual assumed consumption utilised in the FAR process.

**If an annualised cost figure is to be used with typical consumer consumption profiles to infer an annualised cost, these established difference between the lower usage of prepayment customers relative to credit supply customers must be acknowledged. To require both groups to use the same assumptions of energy consumption will make prepayment appear less financially attractive than would be accurate, and would represent a CER-mandated distortion of competition between different business models.**



#### Question 6: Disconnection Process

The CER seeks through its proposed decision to regulate existing checks and balances during the disconnection process into the smart metering world. This involves replicating an assessment of a customer's circumstance before proceeding to disconnection.

This assessment is now spread between suppliers (when contact is made by phone) and Networks technicians (when contact is not made by the supplier). It is PrePayPower's view that this will effectively result in Network technician site visits in the majority of cases. In the case of disconnection due to budget controller or ESBN meter tampering, which is the only scenario for disconnection due to non-payment of account that PrePayPower experiences, we struggle to see how one final phonecall will add any extra value to all the required disconnection communications which are already necessary under the Supplier's Handbook.

Fundamentally, either there needs to be someone on site to evaluate the on-the-ground situation, or there does not. If there does need to be someone there, the ultimate responsibility should lie with ESB Networks as currently, and not be spread across two groups (suppliers and networks). The CBA should budget for a disconnection site visit in the vast majority of cases.

This proposed decision, along with other proposed decisions within the paper in relation to the Harmonised Downloadable File and the Third Party Service Providers, will have an impact on the CBA.

#### Question 1: Harmonised Downloadable File

A policy decision that the HDF data should be "current" for a customer is a reasonable request, but there is no assessment of the proposed [24] hour service level in terms of cost. We note that the [24] is in square brackets, but are not given any mechanism (or criteria) by which that decision will be firmed up. There is also no identification to what purpose that a customer will use this data to justify this service level. We are unclear why data in a HDF (when the customer has the option of in-home information, and smart bills) requires such immediacy.

The proposed decision is therefore setting down policy at the implementation level, without any reference to cost. To make a decision on these matters ahead of the CBA appears incorrectly sequenced; the CBA and the resulting regulatory decision should inform each other. **We believe this further HDF decision should be parked and made within the context of evidence from the CBA.**



Question 5: Third Party Service Providers

In a similar vein, giving non-licensed third parties direct access to retail market systems for their customers (rather than utilising customers' access to the HAN or customers' HDFs) may have benefits, but it also has readily identifiable costs, even if they are difficult to quantify at this juncture. We are interested to understand whether the "potential customer detriment or distortion to competition" trigger to the CER taking further action in this area, relates to the CER's competency, e.g. retail supply of electricity, or relates to a different area, such as the provision of energy technologies in the home? In general, we support the CER's active monitoring of this area, and welcome any proportionate and evidence-based required regulation to resolve identified issues (including recognising the cost impact within the CBA).

Our response is not confidential and may be published in full. If you wish to have further communication in relation to our submission, please don't hesitate to contact me.

Yours faithfully,

Cathal Fay

