

Secure Meters (UK) Ltd submission in response to the provisional decision on remedies

Project Manager
Energy Market Investigation
Competition and Markets Authority
Victoria House
Southampton Row
London
WC1A 4AD

7th April 2016

Ref: Energy market investigation - provisional decision on remedies

Dear Project Manager,

We welcome this opportunity to respond to the provisional decision on remedies, as part of the ongoing energy market investigation. We applaud the work to date and believe the proposals (set out in the addendum to provisional findings - revised AEC relating to the prepayment segment (PPS)¹ published in December 2015) such as time-of-use tariff availability in the prepayment segment and the early adoption of smart meters for the prepayment segment are likely to be successful and will remove some of the detriments to this important segment.

Secure Meters (UK) Ltd is a provider of smart meters (SMETS-1) with about one million meters deployed since July 2013, by 12 retail energy suppliers, spanning SLEFs, mid-tier and smaller suppliers. Secure is also a shareholder in a retail energy supply business, which specialises in delivering prepayment solutions and benefits to its customers. This allows Secure to draw on some unique insights.

Since the launch of SMETS-1 smart meters and SMSO (Smart Meter System Operator) services, suppliers have been able to use their smart devices for credit and prepayment, with adoption in both credit and prepayment mode being in similar percentages of the total customer base, in each segment. Energy suppliers are using smart meters to deliver better customer services, through innovative tariffs and customer convenience. One such example being E.ON's² smart pay-as-you-go product which offers pay-as-you-go vending top-ups using smartphone applications.

In considering the CMA's provisional decision on remedies, we would like to bring to your attention that any transitional price cap for prepayment customers should not prohibit the continued roll-out first of prepayment smart meters, as set out by the former Secretary of State for Energy and Climate Change, Ed Davey³ and the Rt Hon Frank Field MP⁴, who set a challenge for suppliers to ensure their prepayment customers were prioritised.

Secure are of the opinion that prepayment customers are likely to benefit more from a smart pay-as-you-go meter than a transitional price cap. Suppliers should prioritise households on prepayment meters first during the smart metering roll-out, so these benefits can be realised as soon as possible. Our experience has already shown that with the correct technology a number of challengers and new entrants (energy suppliers) are offering deals that benefit prepayment customers and remove the detriment that you have identified. By putting in place a transitional price cap for this customer segment, there could be a number of unintended consequences. A presence of a price cap could significantly reduce the level of competition which has seen a significant upturn in recent years.

¹ [Addendum to provisional findings - revised AEC relating to the prepayment segment \(16 December 2015\)](#)

² [E.ON UK Press Releases - E.ON launches Smart Pay As You Go pilot \(21 May 2015\)](#)

³ [A better deal for people on 'pre-payment' energy meters \(30 April 2014\)](#)

⁴ [Rt Hon Frank Field MP DL submission to CMA \(24 February 2016\)](#)

Moreover, new entrants are already using smart meters and SMSOs to deliver benefits to their customers and the price cap is likely to disincentive new entrants. This is especially true, because of the level at which the proposed price cap is going to be set. As a result, we are seriously concerned that a price cap could end up disadvantaging prepayment customers, as opposed to helping them.

By passing an order for all suppliers to bring forward the deployment of smart meters for prepayment customers, the CMA will increase competition and reduce the detriment faced by prepayment customers at a faster and more effective rate. At the same time, we would request the CMA to facilitate and ensure the changing of the following laws and regulations that are a barrier to early adoption of smart meters for prepayment customers.

- A lot of activity is taking place in industry to ensure SMSO inter-operability. This will allow all suppliers to use SMETS-1 meters and will reduce the overall cost to serve. It is our recommendation that this should be expedited by suppliers and SMSOs alike.
- License conditions allow for SMETS-1 meters in prepayment mode to be replaced by traditional prepayment meters by a gaining supplier. The same provision does not apply to credit meters. This license provision should be removed for SMETS-1 prepayment meters, as it provides a poor customer experience and a disincentive for suppliers to install smart meters early for this segment.
- Removal of the complex tariff provisions in RMR will allow suppliers to provide consumption and / or time-of-use based tariffs for prepayment customers using smart meters. This will allow customers across all consumption levels to benefit from the lowest possible bills.

With Secure's knowledge of the industry, we believe that the £54 cost to serve differential, as proposed, is not achievable today. The operating costs of traditional prepayment systems are considerably higher (rentals, cost to serve etc.), and we believe that any cost to serve differentials for today need to be set higher. At the same time these could be reduced over time as more and more suppliers use smart pay-as-you-go.

It is therefore important that the industry continues to support and encourage the replacement of legacy prepayment systems with smart prepayment solutions that are already readily available. A PDR improving the rate of adoption of smart meters for prepayment customers will be more effective at reducing detriment and increasing competition for this customer segment. One of the worst possible unintended consequences of the transitional price cap for prepayment customers would be for suppliers to back-end the deployment of smart meters for this important segment.

We would welcome the opportunity to discuss our experience of deploying smart pay-as-you-go meters with the CMA's Energy Market Investigation Group.

Secure Meters (UK) Ltd would like to thank the CMA for the opportunity to make a submission to the provisional decision on remedies. Any queries should be directed in the first instance to: Jay Adams by email (jay.adams@securetogether.co.uk)

Yours sincerely,

Kaushak Patel
Director
Secure Meters (UK) Ltd