



Citizens Information Board  
Money Advice & Budgeting Service

**MABS response to the Commission for Regulation of  
Utilities' call for evidence on Smart Pay-As-You-Go**

**28<sup>th</sup> January, 2020**

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## Introduction

The Money Advice & Budgeting Service (MABS) welcome the opportunity to respond to the CRU call for evidence on the Smart Pay-As-You-Go (Smart PAYG) policy. We note that the primary focus of this call for evidence is to ensure that all aspects of policy decisions pertaining to Smart PAYG are still relevant and consistent with retail market developments and technology choices that have been made since the development of these policies. The responses in this document reflect the MABS' experience of debt and fuel poverty and draw on the experiences of MABS offices, the MABS Helpline and the Casework Technical Support Unit which supports Money Advisers in dealing with complex cases related to utility and other debts that emerge in the wider network of MABS offices.

## MABS' experience of fuel debt

MABS clients are assisted in developing sustainable budgets both to manage outgoings and to assist with the repayment of debt. We offer specialised advice, debt negotiation and support with budgeting skills.

When offering assistance to a client in addressing their utility debt, MABS carry out a full financial assessment as the basis for an affordable and sustainable arrears repayment proposal. MABS also works with the utility provider directly to implement this repayment plan and supports clients to identify an appropriate/accessible/affordable payment system. Within the MABS process energy/utilities are always treated as a 'priority payment' because of the adverse consequences for non-payment.

In 2020, there were 14,520<sup>1</sup> new clients in MABS and the MABS National Helpline dealt with 22,951 calls. 5,400 of those calls related to utility arrears. The MABS Helpline put 1,700 utility payment plans in place by year end together with an additional 105 'stays' for threatened disconnections. Within the wider client-base we continue to assist clients with utility debt— utility debt is recorded against approximately 11% of all new clients (2019,2020,) however, there has been a significant reduction in the numbers presenting with utility debt over the last decade (34 % in 2009 and 25% in 2010). This change is driven by a number of

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<sup>1</sup> This number is an outlier by comparison to previous years and the reduction in client volume is attributed to the COVID-19 pandemic and related moratoria, stays on disconnections etc. MABS anticipates a considerable up-turn in this number during 2021.

factors including economic recovery in the period since the last recession, but more significantly the roll-out of pre-pay meters to clients in financial hardship. Undoubtedly, this has led to far fewer utility debts emerging in MABS casework – however we also know that PAYG can give rise to self-disconnection where clients lack affordability and go without energy as a result.

While MABS is sign-posted in relevant regulatory codes for all types of debt (and, in the context of this submission is specifically referenced under Section 5 of the Supplier Handbook, 2019) engaging with the MABS ‘money advice process’ is not compulsory. Therefore, in our experience, clients who come to MABS want to pay their bills and discharge their debts. This is particularly the case for utilities where consequences for non-payment (disconnection) are more immediate, and have a very material impact on well-being of the household.

We do not currently gather data on PAYG customers as a separate category on our systems but aim to remedy this within our new CMS and submit that this could be an important source of information on the overall demographic of this population and how they are faring as Smart PAYG is rolled-out. In addition we highlight the fact that many MABS clients pay a ‘poverty premium’ attributable to the way in which they pay for household goods and services including energy and a key objective for MABS is working with all stakeholders to drive down the costs of essential goods and services for those with least affordability.

### History and evolution

MABS has made several submissions to CER /CRU over many years on related matters, however as consultations conclude and implementation moves closer, CRU (and all stakeholders) will appreciate how important it is that the product eventually rolled-out to PAYG customers for this essential service delivers the anticipated benefits and fully satisfies consumers. As time has elapsed both technological capabilities and consumer expectations have evolved. While the focus has been on the ‘smart meter’, in reality it is the AMI or ‘advanced metering infrastructure’ that really matters, i.e. the *interplay* between the PAYG customer and the roll-out of smart-meters, IHDs (in home displays), wireless area networks, households (primarily on lower incomes), data/communications companies, retail intermediaries, suppliers and networks. Many of the issues to which MABS is responding in

this submission date back to the ‘October decision’ of 2014. In the intervening period the ‘Internet of Things’ has expanded and we now all expect much more of the smart devices that we have in our homes. Accordingly, there is a real risk of ‘falling short of expectations<sup>2</sup>’ if Smart PAYG does not deliver fully for the customers who, we hope, should stand to benefit most.

We would add, that at the current time and with so many other issues of urgent importance being addressed across the national public policy itinerary, there is a risk of smart-metering and its impacts not getting the necessary focus with so many competing issues on stakeholder agendas. We therefore greatly welcome the consultation and encourage CRU to continue to work closely with stakeholders on this vital project to understand and monitor the interplay of new technologies on, in particular, low-income customers and to assess the extent to which benefits are ultimately realised for this group.

## MABS’ responses

### Meter connectivity and eligibility for Smart PAYG

***Q1. After the smart meter upgrade, how do you think PAYG services should be facilitated for customers who wish to or need to avail of these services but may not be eligible for Smart PAYG because of low meter connectivity at their premises?***

We note that low meter connectivity could significantly impact those customers whose current PAYG meters are fully offline, such as customers in financial hardship but whose ESBN PAYG meter can currently be used regardless of the quality of the telecommunication service at their location.

In our experience PAYG customers are more likely to be vulnerable and at risk of fuel poverty. They also face a higher risk of self-disconnection if they do not top-up their meters. The current Covid-19 pandemic and related restrictions have demonstrated how important it is that that customers can re-connect their energy supply without delay.

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<sup>2</sup> Contested smart and low-carbon energy futures: Media discourses of smart meters in the United Kingdom  
Sabine Hielscher a, c , Benjamin K. Sovacool a, b,  
<https://www.sciencedirect.com/science/article/abs/pii/S0959652618315749>

Until such time as more robust connectivity is assured, it is imperative that customers can continue to avail of existing PAYG meters that operate at present. Or alternatively, that the CRU can give full reassurance that customers will have their power restored when they purchase a top-up without delay regardless of mobile data interruptions.

### Offering ToU tariffs to Smart PAYG customers

***Q2. Given that moving to a ToU tariff remains optional, do you think offering one or more ToU tariffs to Smart PAYG customers should be mandated? Please provide reasoning for your view.***

We are of the view that it should be mandatory for Suppliers to offer ToU (time-of-use) tariffs to Smart PAYG customers. Smart time-of-use tariffs can potentially act as a cost saving measure for customers if the customer is able to reduce their energy consumption during periods of high demand. Customers experiencing financial hardship should be provided with every opportunity to reduce their utility costs by shifting their consumption to off-peak times where possible.

We note that one of the main advantages of a smart meter is the ability to monitor usage in real time. This will only act as a benefit to the smart PAYG customer if they can use this detailed information regarding usage to lower electricity cost. People on the lowest income will be logically attracted by the cheapest –tariff. However, we note that in the UK there is some evidence that a tariff with a cheap rate may end up more expensive and consequently a clear and accessible way for Smart PAYG customers to compare tariffs needs to be developed before they become widespread<sup>3</sup>.

We also wonder what the overall impact on ToU tariffs may be, with long-lived changes in work practices (remote working) becoming more embedded post-Covid 19 and whether this change could have any adverse impact on the overall cost-benefit calculations associated with the smart-metering roll-out and in particular any tariffs available to PAYG users.

On this point our view, is that it is likely that optimum cost-savings will likely be achievable through the integration of Smart-metering with other smart technologies/appliances within

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<sup>3</sup>. Citizens Advice Summary of the value of time of use tariffs. <https://www.citizensadvice.org.uk/>

the home and that PAYG customers may not be able to fully realise cost savings without a wider programme of measures to address the causes of fuel poverty within the home (housing quality, inefficient appliances etc.)

There are many ways to combat fuel poverty and to protect vulnerable consumers, including social tariffs for energy and the provision of heating grants to low-income households. Many utility providers in other EU member States offer reduced tariffs to low-income households. In an effort to combat fuel poverty, low-income families in France are offered discounted energy bills, with special price plans from individual energy suppliers.<sup>4</sup> Social energy price reductions were introduced in 2005 for electricity and then extended to gas consumers in 2008.

Spain introduced a 'Social Tariff' in 2017. This is a reduced electricity tariff aimed at protecting households classed as vulnerable.<sup>5</sup> This tariff offers the customer a 25% discount on electricity bills. Customers who are classified as 'severely vulnerable (e.g. Pensioners, large families)' receive a 40% discount on their electricity bills.

In many European jurisdictions additional measures have been introduced to protect low income or otherwise vulnerable customers during COVID-19 and it is recognised that in Ireland measures have been taken such as moratoria on disconnections and an increase in the fuel allowance.

Utility suppliers often require prepaid meters in cases of payment difficulty and this results in PAYG meters being concentrated disproportionately in lower-income households. PAYG is sometimes a more expensive option for these customers due to the prepayment charges and higher tariffs. In light of this we suggest that the Commission should consider mandated reduced tariffs for low-income households and, with a particular focus on this consultation paper, we envisage that smart-metering may offer the potential to better target supports via 'social tariffs' where, for example, a household's costs are disproportionately high as a result of energy inefficiency or build quality.

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<sup>4</sup> Fuel poverty in residential housing: Providing financial support vs. combatting substandard housing, <https://hal.archives-ouvertes.fr/hal-02145950/document>

<sup>5</sup> <https://www.endesa.com/en/advice/ratesubsidy/rate-subsidy>

It is likely that the number of people affected by fuel poverty in Ireland will rise in the coming months as a result of the global pandemic. It would be prudent therefore for the Commission to explore other possible measures that could be taken by the industry to prevent fuel poverty/the accrual of fuel debt for customers affected by loss of income during the pandemic.

### Regular Balance Messages

***Q.3 Do you think the minimum requirements for Regular Balance Messages ensure an appropriate quality of service to Smart PAYG customers? If not, what is your view on how the current policy should be amended?***

It is apparent that PAYG can offer real benefits for customers who wish to carefully budget for their energy use, removing the worry of a large bill. Instead, customers buy energy in small manageable amounts. Having access to their credit balance assists the customer in budgeting for this expense.

Currently, customers can view their credit balance displayed on their keypad meter. Some keypad meters also offer a warning of low credit by way of audible warning when the credit falls below a pre-set value.

We note that in relation to smart meters, the in-home channel will provide access to near-real time consumption data for all customers within their household. However, this will not be activated by ESN until Phase 3 of the NSMP17, which we understand is scheduled for 2023-2024. In the interim, customers can access this balance through the supplier's website or mobile app. MABS would be concerned for the cohort of customer with no/limited access to this technology or whose access to this technology is limited due to lack of broadband or lack of credit for a mobile phone or through literacy or other difficulties that may impede comprehension.

We note that 'Regular Balance Messages' (RBM) will be implemented to bridge this gap with the current plan being to issue a credit balance message weekly. It is concerning that if a customer's balance estimate is only slightly above 7 days when receiving the RBM, it will not contain a balance estimate and so these customers will not know that they will have to plan their top-up within the following week. We suggest that the RBM be issued more regularly than once a week and that every RBM contains a balance estimate for hardship customers.

In addition to updates on RBM, it is vital that all consumers can access details in relation to usage in a simple and accessible format and that ‘off-line’ communications are available where customers may need that information, to avoid a digital divide emerging between those who can access and consume digital information as it becomes available.

## Payment Processing

***Q5. How do you or your customers currently manage top-ups for PAYG meters? Please indicate if there are any differences in the available options between financial hardship and lifestyle PAYG customers***

An important study into Fuel Poverty was completed by Dublin 10 & 20 MABS in 2017<sup>6</sup>. This research evidenced that the majority of MABS clients who were experiencing financial hardship and who availed of PAYG services, topped up by way of cash payment for a prepaid token at local shops. This localised study would be broadly representative of the ways in which MABS clients have habitually managed top-ups nationwide. However, we would caution that the acceleration in the shift from cash to mobile/online payments caused by the pandemic may have altered this pattern somewhat during 2020<sup>7</sup> and we suggest that this change will be long-lived. How low-income households are managing this transition in practice is a matter of interest to MABS and other stakeholders as it does have a material impact on budgeting and consumption particularly for low-income households who may have typically made ‘jam-jar’ type provision for cash top-ups. (In many low-income homes this is simply setting aside the money for the meter in a safe place and using it as required – both the individual vend and the amount left on the meter are kept to a minimum at all times).

We suggest therefore that as an aspect of this consultation CRU access data from suppliers and vendors on changes in payment patterns for PAYG credit during 2020.

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[https://www.mabs.ie/en/news/news20180215\\_1.html#:~:text=It%20found%20that%20despite%20national,remains%20at%20unacceptably%20high%20levels.&text=People%20spending%20more%20than%2010,to%20be%20in%20fuel%20poverty](https://www.mabs.ie/en/news/news20180215_1.html#:~:text=It%20found%20that%20despite%20national,remains%20at%20unacceptably%20high%20levels.&text=People%20spending%20more%20than%2010,to%20be%20in%20fuel%20poverty).

<sup>7</sup> <https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/quarterly-bulletin-signed-articles/whither-cash-in-payments.pdf?sfvrsn=7>

On this point we further note that for low-income clients paying via a ‘basic payment account’ may be a useful/cost effective way to make payments but we do not know to what extent these accounts are /will be used by PAYG customers and it is also important for customers using other account/payment technologies to be mindful of the associated fees as new fee structures are introduced.

On this point we do see potential for some innovation here between PAYG suppliers and banks/fin-techs to drive costs down further for users and also perhaps to enhance data /understanding on energy-usage and costs/savings and potentially enable the automation of the ‘jam-jarring’ approach that currently underpins cash-top-ups (see our views on ‘AMI’ above).

As CRU and all stakeholders have already anticipated, consumer awareness and education will be critical success factors for this project.

***Q6. What is your view on whether and how the payment infrastructure should be amended to ensure that customer experience around top-ups for Smart PAYG customers will be equal to or better than it currently is for (non-smart) PAYG customers?***

We note that the Smart Meter will not facilitate manual top-ups. This will mean that customers no longer have to add credit directly to the meter, as the credit will be added to the customer’s balance within the supplier’s system. A communication will be required from the suppliers’ system to the meter to allow power to flow. MABS are concerned that in the event of low connectivity or the credit balance not transferring to the meter by way of electronic communication, the customer will face a delay in re-energising. It is also imperative that the timeline from point of sale to the transfer of credit to the meter is as close to real-time as possible. Again, we would have concerns in relation to connectivity or other disruptions that could delay the transfer.

### Reconnection Timelines

***Q7. Do you think, and if yes how, that the current policy should be amended to ensure that deenergised customer premises are swiftly re-energised after conditions for re-energisation have been met?***

The Smart PAYG system as proposed is solely dependent on the mobile data network being available. Therefore, if there is an outage with the network, vulnerable customers would be unable to restore power if they have self-disconnected, whether by purchasing a top-up or by accessing emergency credit. It is the experience of MABS that customers who are experiencing financial hardship are more likely to self-disconnect.

Current PAYG meter services allow customers use a keypad to restore power, or access emergency credit, at any time. Once the customer has submitted the credit code to the meter, the supply is reconnected immediately. The policy proposed does not offer any similar safeguard for Smart PAYG customers.

With the proposed Smart PAYG system, any reconnect will require action by both the supplier and network. This may cause potential delays for the customer.

In light of this, we are of the opinion that the CRU should offer confirmation that Smart PAYG customers will have their power restored when they purchase a top-up without delay, within a specified time frame regardless of mobile data interruptions.

We note the provisions in the Suppliers Handbook (p61) relating to Vulnerable Customers and PAYG meters and believe that these may need to be specifically reviewed and refined to assess/address any additional risks to a vulnerable customer arising from Smart PAYG.

Moreover, in the UK, we note a recommendation from 'The Commission for Customers in Vulnerable Circumstances' (2019) that, *'Suppliers should develop and share innovative practices to monitor and tackle self-disconnection. As the smart rollout progresses, they should draw on their increased skills using this technology and improved understanding, to set a sector-wide target to reduce self-disconnection'*.

On this point we also draw attention to the recently announced 'Vulnerability Commitment<sup>8</sup>' which sits alongside the UK's Smart Meter Implementation Plan.

***Q8. Do you think setting separate backstop times for each step in the reconnection procedure would facilitate swift reconnections? What timeframes do you think would be reasonable for***

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<sup>8</sup> <https://www.energy-uk.org.uk/media-and-campaigns/press-releases/463-2020/7715-energy-uk-launches-vulnerability-commitment.html>

***the process steps mentioned in Figure 2? What regulatory oversight should be applied to ensure these timelines are met?***

MABS would not have sufficient insight into the reconnection process to offer any recommendations in this regard.

## Data Sharing

***Q9. After the smart meter upgrade, customers who wish to or need to avail of Smart PAYG services will have to share their half-hourly (interval) data. What is your view on this?***

We note that Smart Meter PAYG services will be based on half-hourly meter reading, collected remotely every day. Article 5 (1) (c) of GDPR states that personal data should be adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed ('data minimisation'). It is unlikely that the collection of half-hourly meter readings is necessary for the supplier's system to generate a meter balance. In light of this it would appear that this practice as proposed could be deemed or perceived as excessive and potentially not compliant with GDPR. Assurances will be essential for all customers in this regard and we note that privacy concerns have been documented in Ireland and elsewhere.

*'There is also a danger that usage can be employed to develop detailed consumption profiles. Consumers may not want their energy supplier to build an understanding of their domestic habits, which could reveal, through attribution or inference via data mining techniques, a more detailed lifestyle – such as the hours they work; how they interact with and use home appliances (such as watching television, doing the laundry, entertaining guests, etc.); when they go on holidays; and even religious practices<sup>9</sup>.*

We further note that similar proposals in other jurisdictions have been met with both some concern and resistance, which has perhaps undermined some of the overall benefits achievable.

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<sup>9</sup> <https://www.gemserv.ie/wp-content/uploads/2020/07/Irish-Smart-Meter-RollOut-PR-WEB-1.pdf>

We note that bill-pay customers are not required to share their half-hourly (interval) data and we are of the view that the personal data pertaining to Smart PAYG customers should be processed in line with that of bill-pay customers.

In addition, there are potential pros and cons relating to the potential sharing of aggregate anonymised data between suppliers and the State/its agencies. For example to highlight geographical areas where PAYG customers have higher usage/ pay higher energy costs due to the quality of the housing stock etc. Such data would offer insights that might assist to bridge the gap between Government policies for energy efficiency in private households and the special needs of low-income households. However, this would need to be weighed against the risk/ perception of 'profiling' as highlighted above.

If this requirement (sharing of half hourly interval data) is GDPR compliant, and necessary, we suggest that explicit protections are required and that the rationale must be clear for all customers and they must be enabled to fully weigh the pros and cons of sharing this data and judge the extent to which the sharing of such data realises material benefits for them in terms of defined cost savings.