SMART ENERGY GB

Smart meters: revolutionising the prepay experience

February 2019

Introduction

Prepayment has traditionally been the most expensive and inconvenient way to buy energy. With consumers facing higher tariffs, having to go to the local shop to top-up and needing to get the meter replaced if they want to pay another way.

Things are changing though, and the introduction of smart meters is transforming the prepayment experience for the better.

Smart meters bring many benefits to everyone, with an end to estimated bills and being able to see what you are using in pounds and pence. But the upgrade to prepayment is even better; new ways to top up, new cheaper tariffs and more ways to monitor and manage credit. It will also become seamless to switch between credit and prepayment with no need to get the meter replaced.

These benefits are also clear when we ask people using smart prepay about their experiences. This report looks in detail at the attitudes of people who are using smart prepay.

Helping people to save and take control of their energy use

Having spoken with thousands of consumers we have consistently found people with smart meters are positive about them, with an overwhelming majority saying they would recommend them and also reporting they are reducing their energy use.

We have found the story for prepayment customers to be even more positive. Nearly 9 in 10 would recommend them and 79 per cent said they felt more in control of their energy use. In addition, 90 per cent have also taken at least one step to reduce their energy use such as turning off the lights in empty rooms and changing the way they use household appliances.

Helping to tackle self-disconnection

Although we did not ask directly about self-disconnection[1], the evidence from this research suggests smart meters are supporting consumers to manage their energy use.

Self-disconnection affects many prepayment customers and research by Citizens Advice has found 16 per cent of people with prepayment meters run out of credit each year. Reasons for this include forgetting to top-up (47 per cent), not realising that credit was low (32 per cent) and affordability (21 per cent)[2].

With more ways to top up and additional ways to monitor energy usage and check credit, smart prepay should help to tackle the two biggest reasons people self-disconnect. For example, people with smart prepay are regularly[3] using methods to monitor their credit and usage - with 9 in 10 regularly checking their IHD. More ways to monitor credit and top up should help people to avoid forgetting to top-up or not realising they are low on credit.

If a household does self-disconnect, the availability of online top-up also means they can get energy back on instantly without relying on the local shop being open.

Data is also allowing suppliers to better identify self-disconnection and identify those who are most vulnerable. Utilita is one company using information from smart meters and the priority services register to better support customers in vulnerable situations.

Being more engaged in the energy market

Prepayment customers have traditionally been less engaged with the energy market. In their preliminary findings, the Competition and Markets Authority remarked that prepayment customers are less likely to shop around, switch tariffs and consider switching compared to those on credit meters.[4]

Confidence to find the best deals is one of the barriers to shopping around, and we've found that this increases when people get smart meters installed. Just over half of all prepayment customers told us they felt they had the information they needed to choose the right energy supplier. But amongst smart prepayment customers, this rose to over two thirds.

A second barrier to switching has been the need to get a new meter installed when switching between payment methods. In the future – this changeover will be seamless meaning that households will be able to choose what works best for them.

Methodology

This report uses data taken from *Smart energy outlook*, conducted by independent research agency Populus for Smart Energy GB. Populus conducted 9,535 interviews using a bespoke online survey, designed to be representative of the adult population of Great Britain aged 21+. The interviews took place between 17th – 30th May 2018. There were 294 smart prepayment customers in the survey.

1 Self-disconnection refers to a situation where gas or electricity supply to consumers using a prepayment meter is interrupted due to a lack of credit on the meter

2 Citizens Advice (2018) Switched on: improving support for prepayment consumers who've self disconnected, April 2018

3 At least a few times a month

4 Competition and Markets Authority (2015) Energy Market Investigation, Provisional Findings report https://assets.publishing.service.gov.uk/media/559fc95ded915d1592000052/EMI_provisional_findings_report.pdf

More than 8 in 10 smart prepay users would recommend them

As of November 2018, there were 12.8 million smart meters installed across Britain.

The number of people who say they would recommend them has always remained high, and is even higher among those who have a smart prepay meter.

More than 8 in 10 people said they would recommend them, with over half (54 per cent) saying they would be very likely to recommend them.

Figure 1.
Likelihood to recommend a smart meter to others (among people with smart meters)

Figure 2.
Likelihood to recommend a smart meter to others (among people with smart prepay meters)

Smart prepay users feel more in control of their energy use

Almost 80 per cent of smart prepay customers agreed their smart meter helps them feel more in control of their energy use and over nine in ten said they had a better idea of what they were spending.

Smart prepay customers are also particularly aware of the energy they are using, three quarters of people said they were more conscious of the energy they use and 63 per cent said they think twice before using high energy use appliances.

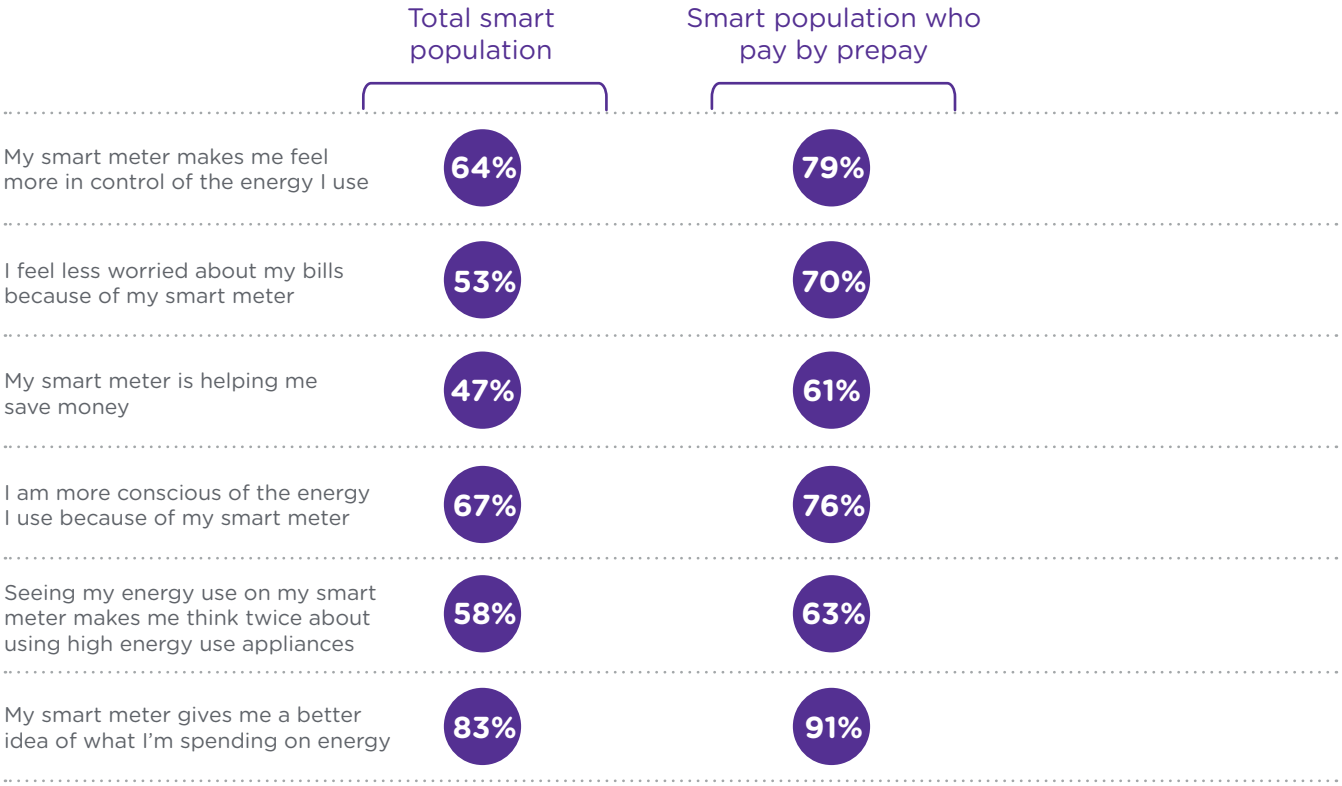

Figure 3.
Attitudes towards energy: people with a smart meter vs. smart prepay customers (those who responded strongly/somewhat agree)

Case study:

Simon from Clacton-on-sea

Simon requested his smart meter from his energy supplier because he had just bought a new house and wanted to see how much energy it was using. He loves smart prepay because he can easily top up online. Simon lives alone in a 3-bed-bungalow in Essex

"The smart meter has helped me save money and it is so much easier being able to top up online instead of trying to find a shop to top up my key.

The shops close quite early in my area so it used to be a bit of a pain driving round to find somewhere to buy credit if the electricity went out in the evenings or at another inconvenient time.

Since having the smart meter installed I have found it really useful using the in-home display and I have managed to make some changes that have saved a lot of energy.

When I moved into the house it had six 50 watt halogen bulbs in the kitchen ceiling and you wouldn't believe what they cost when they were switched on!

You could be using two PCs and a wide screen telly and it still wouldn't use as much energy as those bulbs. Since seeing how much they cost to run on my in-home display I have replaced them with similar LED bulbs and have found that 3.5 watt bulbs are just as bright, and they cost about a tenth of the price as I'm now using 21 watts instead of 300 watts! That's why I am so glad I got the smart meter.

Apart from the bulbs I realised how much leaving things plugged in was costing and now when I got to bed I turn everything off at the wall – even things like the microwave. The only thing I leave on is the fridge freezer. I've managed to cut my electricity bills by about a third."

Smart prepay customers have more confidence in the accuracy of their bills and feel more knowledgeable

Compared to people who have analogue prepayment meters, smart meter customers tell us they have a greater understanding of their energy bills and are more likely to say they have the information they need to choose the right energy supplier for them.

This is particularly good news as traditionally prepayment customers have been less engaged in the energy market and less likely to switch supplier. With smart meters bringing the additional ease of switching between credit and prepay without having to replace the meter, it will also be even easier for prepay customers to access the best deals.

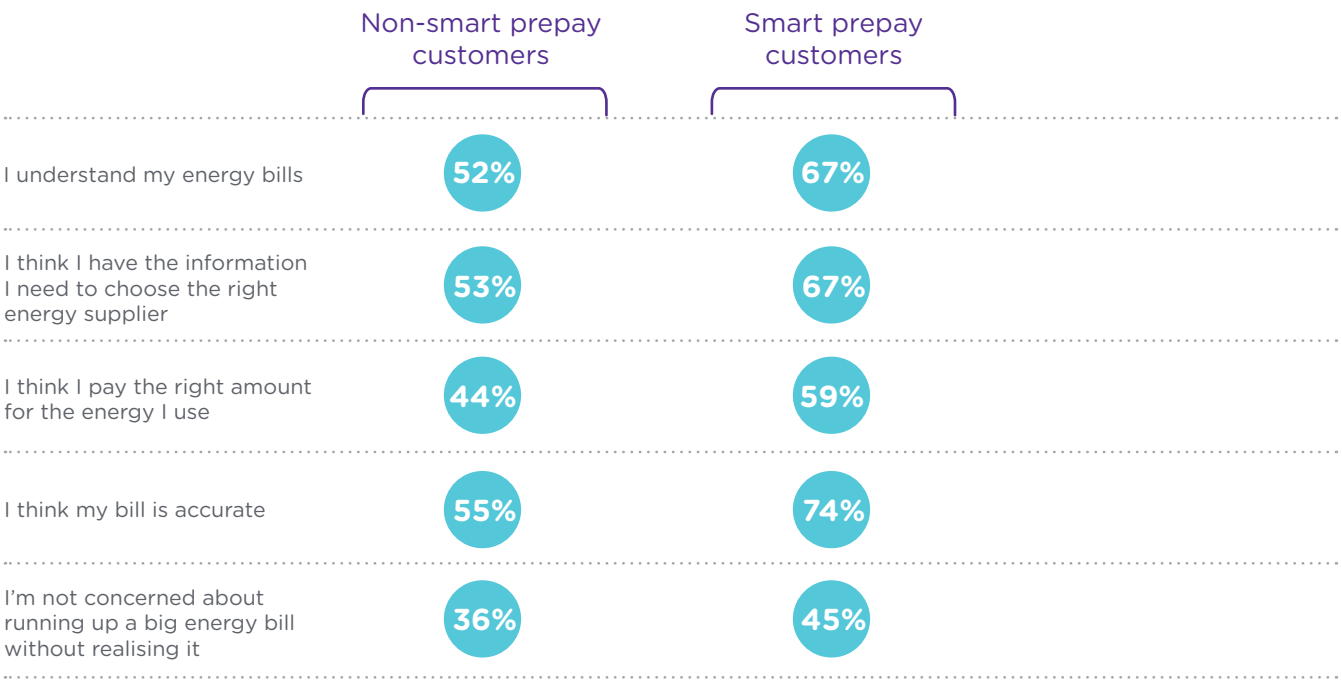

Figure 4.
Attitudes to energy: people who have a smart prepay meter vs. people with analogue prepay

Smart prepay users closely monitor their energy use through the IHD and apps

Smart prepay customers make more use of their IHD and apps to monitor their energy use. Although this is perhaps unsurprising given that the IHDs and apps are an important tool for people to manage their credit.

A similar number of smart prepay and credit customers have an IHD, with 9 in 10 claiming to use one. However 90 per cent of smart prepay customers check it regularly compared to an average of 73 per cent.

Smart prepay customers also tend to use multiple tools to manage their energy use. A greater proportion also told us they had an app to monitor their usage, with 40 per cent of prepay users saying they had one and 43 per cent reporting they check it a few times a week.

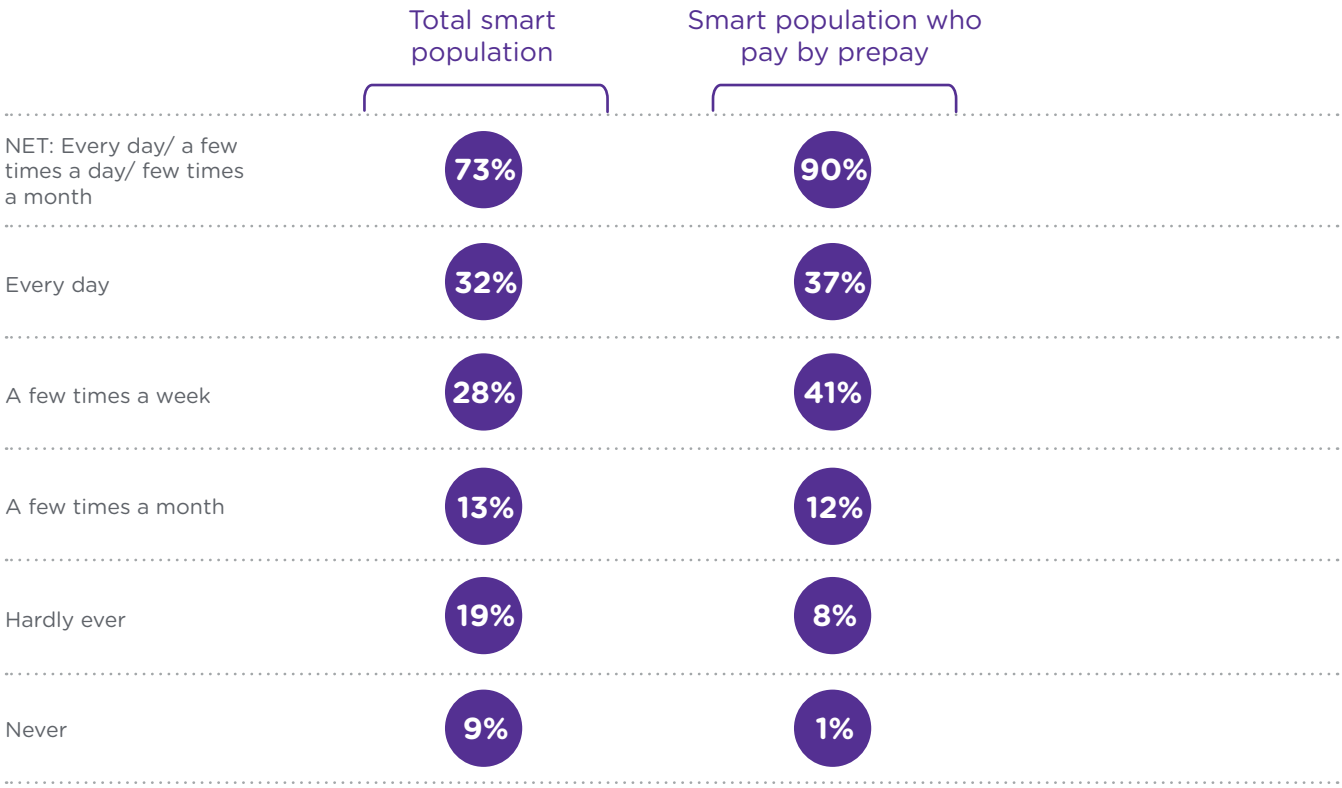

Figure 5.
Frequency with which people with smart meters check their IHDs

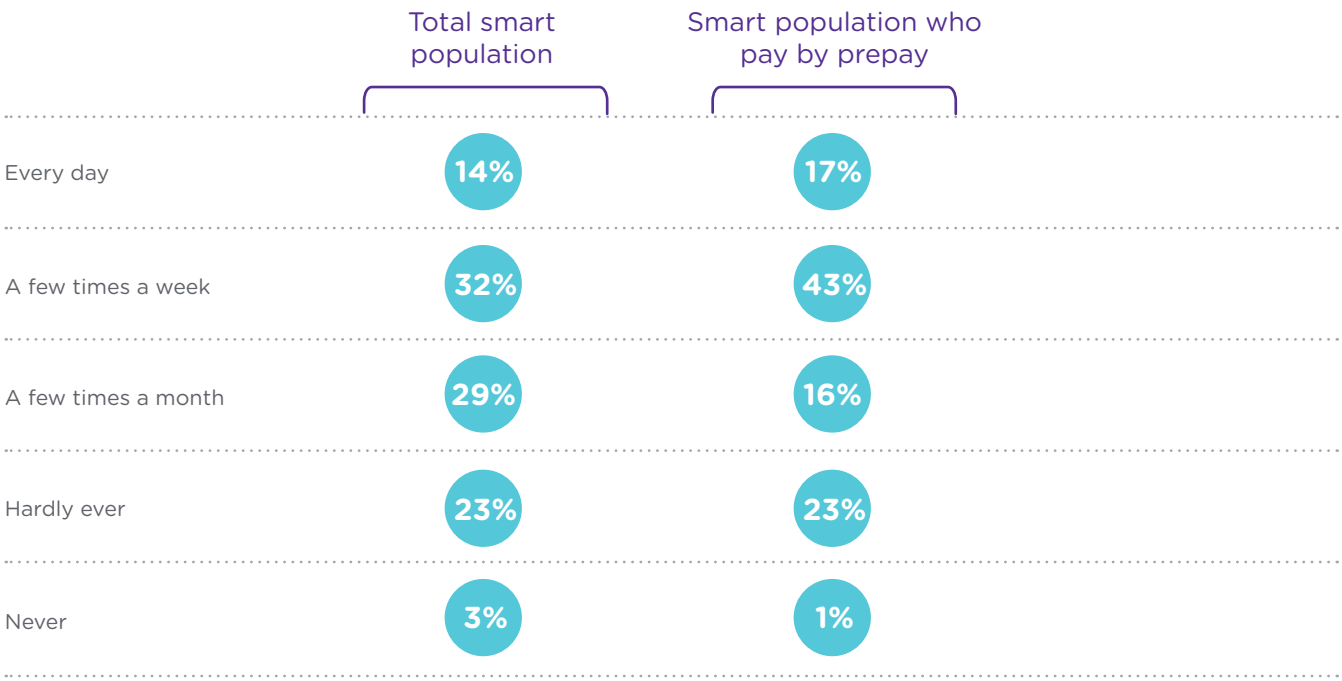

Figure 6.
Frequency with which people with smart meters check their Apps

Saving energy

Nine in ten smart prepay customers are taking steps to reduce their energy use, with the most popular actions being turning the lights off and turning the heating down.

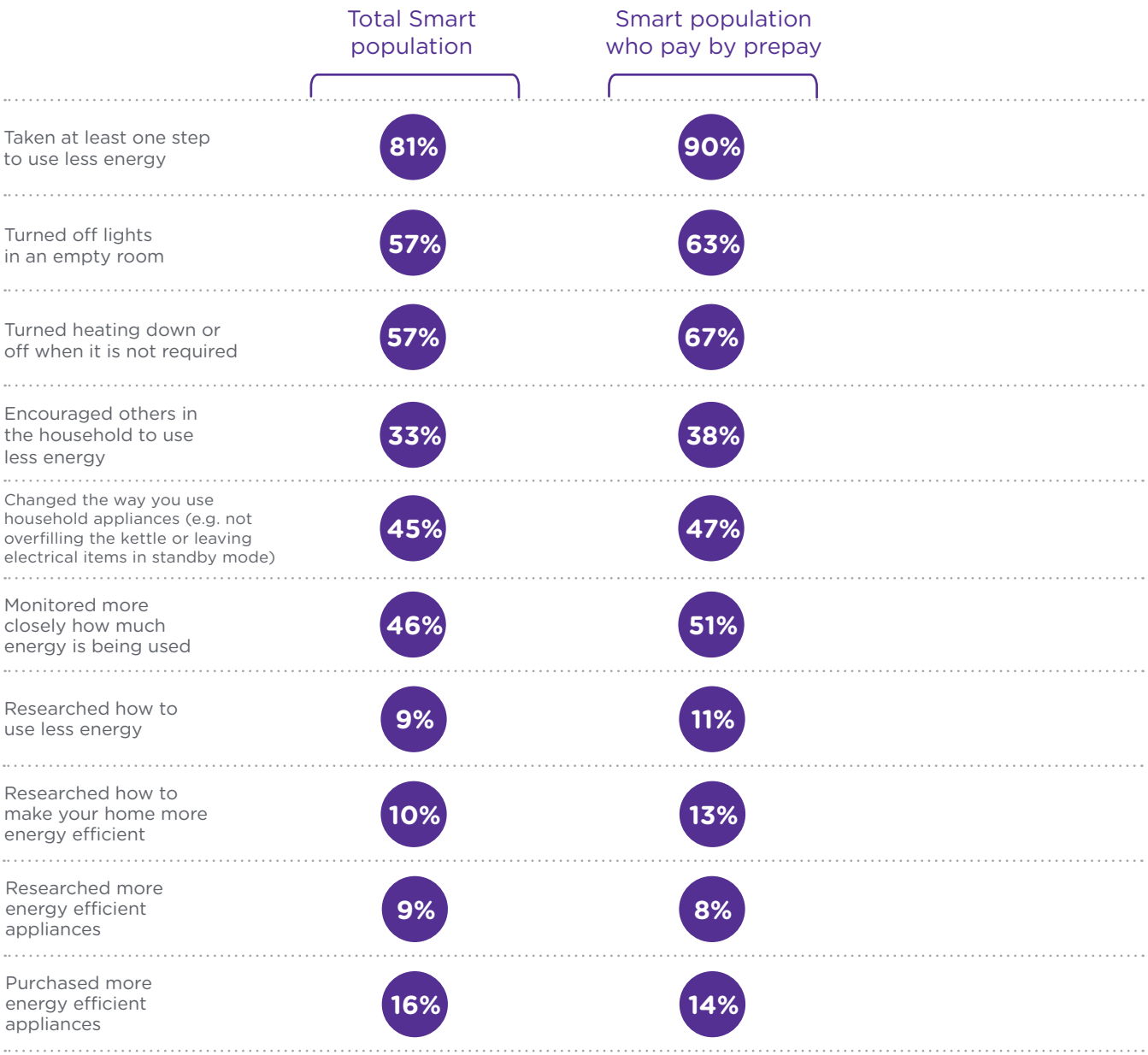

Figure 7.
Steps taken to reduce energy use: smart meter customers vs. smart prepay customers

Case study:

Elspeth from Drumchapel

Elspeth's smart meter means that she no longer needs to struggle with accessing her prepayment gas and electricity meters to top them up. Elspeth, a local councillor, lives with her husband and two grown-up daughters in a house in Drumchapel, a suburb of Glasgow.

"When we had our old meters, I was always forgetting to take the key or card to the shop to get them topped up, and we often ran out of credit at inconvenient times – once I was making a pair of curtains on my sewing machine and the electricity ran out. I really needed to get them finished that night and having to go to the shop to top up wasted precious time. Now, our smart meter warns us when we are close to running out of credit, and I can see at a glance how much we have left. Plus, I can top up from home, whenever I need to.

It's saved us money too – if the light on the in-home display turns orange then we check all our appliances to see whether they actually need to be on. And being more conscious of our energy use since getting a smart meter has reduced the money we spend on electricity from £80 a month to £60 a month."

Innovation – what will prepay look like in the future

Smart meters are a vital platform for innovation across the whole energy market. From smarter appliances to better management of the national grid.

Specifically for prepay customers, there is also opportunity to better support households in vulnerable situations. Some suppliers are already beginning to innovate and use this as a potential way to better support households. On the right is a case study from Utilita, who are combining data on self-disconnection with that from the priority services register to create a tailored package of additional support.

As the case study shows, data on energy usage and self-disconnection can be used in innovative ways, especially when combined with other data and information. Remotely topping up meters in a digital energy system is far more efficient. It could be possible for individuals or services to make sure there is enough credit on the meter to keep someone's home warm for instance.

This could have knock on benefits for public health. Making sure those most at risk of cold related illnesses are warm in their own home.

Smart meters also allow for the better and more targeted energy efficiency advice. This could be delivered directly to households through their IHD, and even recommend local sources of information and advice such as their local council or Citizens Advice Bureau.

There are many routes innovation could go down, and for the first time digital technology is opening this up in energy. Better support for households in vulnerable situations can have benefits not only for consumers but for society as a whole.

Utilita – smart prepay self-disconnection support

Utlita offers a range of support for its smart prepayment customers at risk of self-disconnection or who have already self-disconnected. Some of these activities include:

- non-disconnection hours that prevent the customer from self-disconnecting between 2pm and 10am the following day, and also over the weekends and bank holidays.
- proactively calling those who have self-disconnected, prioritising PSR customers known to be vulnerable to offer them support
- wide choice of top-up methods – by phone, text, online, any Paypoint outlet
- providing tailored discretionary credits linked to the customer's actual energy usage. Using smart meter data Utilita can calculate how much energy the household will need until they can afford to top up again. The necessary credit can then be immediately remotely applied to the meter
- ensuring customers are aware of support available, including, the Warm Home Discount and debt advice from StepChange
- using insights from smart metering data to provide tailored energy efficiency advice

As a result of this work, Utilita have been able to identify 100-300 customers on the PSR off-supply each week.

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To find out more about smart meters please visit
smartenergyGB.org