Society of St Vincent de Paul

Submission on the Detailed Design of the Gas PAYG Meter System Replacement Project

To: Commission for Regulation of Utilities (CRU)

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Society of St Vincent de Paul
National Office 91/92 Sean McDermott St. Dublin 1

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Introduction

SVP supports many households with gas prepay/PAYG meters. We know from experience that the existing system has created many challenges in support, particularly in the early days of the energy price crisis and are supportive of upgrades that will remedy these issues and provide greater support to those we represent. We are particularly supportive of the remote top-up facility in the new system, and the potential to change debt ratios and credit facilities individually for customers and, where necessary, more widely.

While we welcome this focus on the 'hardware' of gas PAYG, we use this opportunity to again stress the need for greater consideration of 'self-disconnection' and self-rationing of prepay customers. The CRU must be proactive about this form of energy deprivation. Many of the questions raised in this consultation would have clearer answers if the CRU had existing research on the experiences of PAYG customers, particularly vulnerable customers and customers in financial hardship.

Further, some difficulties faced by gas PAYG customers are unaddressed by the new system. For example, customers building up standing charge arrears unknowingly, having not used gas for extended periods over the summer. This can present a shock to customers when they first use gas again in the winter, and are faced with higher bills as a result both of this new winter usage and the standing charge arrears.

More research on PAYG, including gas PAYG, customers experiences is required. Such research would support the design and implementation of this new gas PAYG system, and would help guide the CRU's response to any challenges as a result of the system, or future price shocks.

Recommendations:

Our overarching recommendations on the Detail Plan are:

1. **Clear communication and customer education:** the timings of this new system represent a significant departure from the current system. It is

important that households are given clear communication from the CRU outlining how the meter works, when it is 'read' and what this means for the credit balance they are shown, the disconnection process, the reconnection process, and how their supplier is required to engage with them. This neutral, CRU-provided communication and education must be in addition to requirements for supplier engagement and customer education. This clarity is all the more important for customers facing disconnection.

Where information is provided to customers (either actively via messages from the supplier or passively through the customer accessing information), it must be clear what this information means and its limits. This is particularly true for credit balances, which will be subject to a time lag in the new system.

2. **Flexibility:** Suppliers must be flexible in their approach to disconnection when a new meter is first installed. In addition, the CRU must establish clear incentives for suppliers to make use of the full flexibility of the new system. The CRU itself must also use this flexibility to respond as needed to price shocks and widespread hardship.

   The CRU must also protect customers' choice in the new system by exploring solutions for low-cellular access customers and by mandating that customers can top-up in person, by web, or by phone. Customers' ability to access information and support in the format most intelligible to them is key to their independence, dignity, and engagement with suppliers. Helpful research on communication in the energy service area has been conducted by Citizens Advice UK.

3. **That the CRU carries out a distributional analysis prior to a final decision:** this analysis must show the potential financial impacts of this new system on customer groups at different cost recovery options.

Section 2: Selection of Meter System

2.1 Thin or Hybrid Meter System

1. **In the event that a meter with hybrid functionality is selected via GNI's tendering process, do you agree with the CRU's proposal that the meter should operate solely in 'Thin/Connected only' mode?**

SVP understands that a Thin/Connected system has been chosen; we further understand that a hybrid meter with dual capability may be selected in the tender process, but that the CRU proposes the meter operate in 'Thin/Connected' mode only.

It is our view that the Thin/Connected system represents a significant improvement for gas PAYG customers by facilitating remote support and communication. However, we worry that given the cellular/connection needs of this system, some customers would be unable to use any such new gas PAYG meters. We stress that alternative solutions must be found that maintain as much choice as possible for customers in this situation. Any such solutions must account for the fact that many on PAYG meters are low-income: the potential costs of any alternative solutions should not be fully placed on these customers, who already pay a higher rate for PAYG services than their credit-meter peers.

2.2 Alternative Meter Solutions

1. **Do you have any feedback on the issues which may lead to customers not being able to avail of the new PAYG system? If so, do you have alternative suggestions on what could be done to help provide the new PAYG solution to all customers?**

We reiterate our concerns that customers with low cellular access will be unable to avail of the new PAYG system. Any 'solution' for these customers must facilitate their *choice* of payment arrangement. In this vein, we view suggestions such as additional antennae to boost signal strength positively. Again, an equitable arrangement must

be found for the costs of these alternative arrangements to ensure that households are not made to pay costs they cannot afford to stay connected. Solutions in low-cellular areas must be available to low-income households.

While we strongly recommend additional solutions be found to facilitate continued access to PAYG services for all customers currently on PAYG meters, SVP acknowledges that for some portion of these households moving to a credit meter may be the only option. Many households we support use PAYG meters to manage their energy spending and avoid falling into arrears—for households that move to credit meters, a loss of PAYG is likely to be experiences as a loss of control over a major spending area. A transition to credit meters must not mean falling into arrears. For the small number of households for which no alternative PAYG solution is possible, SVP recommends that the transition be flexible and accompanied by proactive engagement by the supplier to ensure that any resulting difficulties are met by leniency and understanding.

Section 3: Customer Experience

3.1 Disconnection & Reconnection Timelines

SVP supports many households on gas PAYG meters that are self-rationing and self-disconnecting. Many of these households have a clear understanding of the present timeline, and this forms the basis for their self-rationing of energy and the amount that they 'feed' the meter. A change in the timeline for disconnection, in how credit is displayed, the accuracy of the displayed credit, and reconnection will likely alter these established behaviours. To ensure the transition does not come with financial consequences to households, customer education is needed.

The CRU and suppliers must ensure that people know how to reconnect and use their meter and know that there is a 'time lag' in balance display. Customers must know that this 'time lag' means they have less gas/credit than is shown in their portal or app. This education piece must be an established part of the transition between the two systems.

Customers' ability to reconnect by pressing a button, outside of the daily communication, is critical. Customers must be fully aware of this and understand the effects of its use.

1. **What are your thoughts on the proposed meter 'wake-up' time of 00:00 and the consequent timeline for customers receiving balance messaging? If you do not agree with this proposed meter 'wake-up' time, please provide reasons why not?**

Under the proposed timeline, meters will disconnect between 00:00 and 05:00, with disconnected households waking up to a cold and disconnected home. This timeline also allows that customers receive an updated balance between 08:00 and 12:00, with the first warning message being sent in this window for any low-balance households. While we have concerns about households waking up to disconnections, this concern should be mitigated by clear communication from suppliers and is balanced against the benefits of earlier balance updates. It is important that customers can receive warning messages as early as possible in the day, to have ample time to physically top-up in a shop or top up online. Suppliers should be urged to send warning messages as soon as possible in the 08:00 to 12:00 update window.

SVP is concerned that the move from immediate credit readings to daily credit readings and the resulting change in disconnection timeline has high potential for confusion. At present, customers can access their remaining balance immediately. As emphasised above, clear communication and customer education are needed: all customers must understand that the balance displayed between 08:00 and 12:00 is subject to a time 'lag' and does not represent their current balance. Customers must also understand the implications of this 'inaccuracy' for potential disconnection timelines. The CRU and suppliers must be proactive in customer education on this topic. SVP recommends that the CRU establish requirements for communication on this topic.

In the timeline outlined, should a customer fail to top-up by the required amount, a disconnection request is sent to the meter at 23:00 (11pm), and if a customer tops-up between 23:00 and 00:00, the disconnection *should* be 'avoided' when the meter wakes up between 00:00 and 05:00. SVP recommends there be as much certainty as possible in this scenario, such that a customer who tops up following GNI sending a disconnection request but ahead of their meter waking up can be assured they will not wake up to disconnection.

With respect to a potential second meter wake-up, occurring in the middle of the day, for meters that have a self-disconnection command queued, SVP is concerned that this may complicate the system for customers. Customers need to be sure of when disconnection is occurring and when their meter is being 'read'; having these periods overlap allows for clarity.

2. Do you agree with the CRU's proposed backstop time for reconnection?

SVP agrees with an overall reconnection timeline of 45 minutes for gas PAYG customers, regardless of payment channel. This period should be communicated to customers as part of the communication recommended above.

3. Do you have any other relevant views/suggestions?

Meters communicating with suppliers only once a day is a significant change in service. We once again recommend that the implications for households must be workshopped with representative and intermediary groups, alongside prepay customers themselves. Without clear investigation into the experiences of prepay customers, we worry that the timelines and communication approaches being outlined here will not meet their needs. This is particularly concerning given many customers on PAYG are in energy poverty.

In the proposed system, the gas supply will not automatically cut off when the PAYG meter reaches a negative balance or has used up the Emergency Credit. Instead, it will cut off later, once it has received a signal from GNI. Given the delay, we are concerned that those households who already struggle to keep the meter 'topped

up' will find themselves in debt to the meter for their continued energy use pre-shut off. For households who are already self-rationing energy, we worry that this will have clear effects on their ability to top-up the meter.

3.2 Balance Messaging

3.2.1 Regular Balances Messages

1. **At what intervals do you believe it is best to send messaging regarding the customer's balance?**

SVP suggests that the default frequency for RBMs be the same as for Smart PAYG electricity meters, to facilitate clarity: weekly.

2. **Do you agree with a balance estimate being included in the RBM should less than 10 days estimated usage (based on the customer's previous consumption patterns) be remaining?**

The Regular Balance Message should include an estimate of how long the customer's current credit will last. Where credit is estimated to fall below 0 within the week, this should be clearly communicated. Suppliers must make clear that the balance provided in the RBM is not 'current', and that any balance estimate provided is based on estimated usage.

3. **Do you agree with the CRU's proposal not to mandate any specific channel of communication for the sending on RBMs?**

While we understand the proposal not to mandate any specific communication channel, we suggest that the CRU establish a 'default' channel for communication to ensure a baseline for communication with customers while still facilitating choice for suppliers and customers. This would ensure that customers who cannot access a portal/app are not disadvantaged. SVP recommends that those customers who may not access a portal/app should be provided with an in-home display free of charge.

We agree with the proposal that customers are given the *option* to add one additional household member to receive the Regular Balance Message. However, this should

not be viewed as a replacement for direct communication with the customer through the medium they best understand. Given the cost of energy, it is paramount that households are positioned to engage with their suppliers independently. Additional household members must be used only as a backstop.

3.2.2 Disconnection Warning Messages

1. **Do you think the CRU's proposal on supplier disconnection warning messaging is appropriate?**

The CRU is proposing that at least two Disconnection Warning Messages be sent to the customer prior to disconnection, with a minimum of 21 hours elapsing between the first Disconnection Warning Message having been sent and the disconnection request being sent by the supplier to GNI; disconnection will only take place where the meter records a negative balance for two consecutive wake-ups (2 days).
SVP believes it is appropriate that the Disconnection Warning Message be sent as soon as possible in the 08:00 – 12:00 'balance update' window. We support the CRU's proposal that these messages:

1. Include the 'stay connected' top-up amount;
2. Be sent to the customer via SMS and be accompanied by an email/app notification;
3. Cannot be separately charged for by the supplier;
4. Suppliers must offer each customer the option for up to one additional household member (or person nominated by the customer) to receive the alerts, and advise the customer how to update their settings (e.g. alert channel or contact details) including the consequences of not doing this;
5. Include the time/date by which the 'stay connected' top up is needed to be made.

However, we stress that suppliers must work with customers to choose the communication channel that best suits the customer's needs. Alternative solutions

must be found for those in low-cellular access areas to ensure that Disconnection Warning Messages are communicated in a timely manner.

Further, SVP is concerned that, given the meter will only record balance once a day, the 'stay connected' top-up amount may be inaccurate. It is important that customers are confident that when they pay the top-up amount, their meter will not be in negative credit at the next 'wake up'; customers should not top up by the stated amount and still wake up disconnected. The CRU must establish clear guidelines around the 'stay connected' top-up amount to prevent this and ensure households have clarity.

3.2.3 Required time for customers to receive balance updates

1. **Do you agree that an appropriate back stop for customers to receive their updated balance is within 12 hours following the meter waking up?**

SVP agrees that there should be a 'back stop' for customers to receive their updated balance. This should be as soon as possible following meter wake-up, to allow customers as much time as possible to top up their meter, either in person or online. For example, customers in shift work and with caring responsibilities may struggle to top up without clear warning and ample time.

2. **Do you agree with the CRU's proposals for customer receipt of top-up confirmation and updated balance following a vend, either in the event of a Thin or Hybrid meter solution?**

Customers should receive confirmation of their top-up and updated balance following a vend as soon as possible. SVP agrees that this should be a notification sent by suppliers ('push' notification) instead of available only to those customers who seek out their balance ('pull' notification).

3.3 Solutions for those who may have trouble viewing balances

1. **What are your thoughts on the suitability of the above options to support customers who may struggle to read their balance on the new meter system?**

SVP supports Option 1 (phone service) and Option 3 (in-home display).

Option 1: The CRU should mandate that customers have the ability to top-up via phone. This is an important fall-back option should customers lack data, digital literacy, or access to web portals or mobile apps. While some customers prefer web/app top-up options, many prefer to use the phone and/or speak directly with their supplier when they are struggling. We understand that Option 1 refers to customers being able to text/interact with an automated phone system—we recommend that this phone system have clear pathways for customers who wish to speak directly with their supplier. This must be a requirement of any automated system, as many customers who would opt for a telephone option are likely to also be frustrated or confused by an automated system.

Option 3: If a customer cannot access a web portal or mobile app, the supplier should supply an in-home display without cost to the customer.

With respect to Option 2, SVP understands the value of allowing customers to nominate a representative to look after bills and correspondence, as is already provided for by the Handbook. For some, nominating a similar/the same party to monitor their balance via web/app may be helpful. However, SVP is concerned that this will become the primary solution. This must not be the dominant option presented to customers: it is important that households are given the ability to manage and monitor their own energy consumption.

3.4 Balance transfer (during meter deployment)

1. **Do you think the proposed approach of not allowing suppliers to disconnect customers for non-payment in the first 3-5 days after installation of a new meter is appropriate?**

Yes, SVP believes the proposed approach is appropriate. Given the transition between systems and potentially unforeseen technical issues, a disconnection moratorium would allow time for customers to communicate with their supplier. Any implications for the accrual of debt must be clearly communicated to customers during this window, to avoid problems at the end of this 3-5 day window.

Where technical issues have been raised with the supplier and the supplier is unable to resolve them within this window, we recommend additional flexibility from suppliers to ensure households stay connected while transitory issues are resolved.

3.5 Mandatory Vending Channels

1. **Do you agree with the CRU proposal that a web top-up facility should be mandatory along with the existing in-store top-up facility, with optional mobile top-up (via an app) and optional phone call top-up facilities?**

SVP believes that web top-up, in-store top-up*, and phone call top-up* facilities must all be mandatory. Customers with low digital literacy or data must be given an option that allows them the flexibility of the new remote system.

3.6 Estimated Meter Reads

3.6.1 Updating Customer Balances

1. **Which of the options stated above do you believe is the most appropriate for updating customers on their balances in situations where only an estimated read is available?**

We recommend that both the balance as read during 'wake-up' and the estimate are presented to customers, with both being clearly labelled. SVP's experience suggests that there is already distrust of energy suppliers: if customers are presented inaccurate estimates which are 'updated' later, this may exacerbate this distrust.

Customers should be presented with their balance as read in the 00:00 – 05:00 window: the 'lag' in this balance must be communicated alongside the balance, regardless of how this balance is accessed by the customer. An estimated meter read should be provided alongside this, to give customers the ability to assess their need for top-up.

Providing both provides clarity to customers, who are accustomed to 'live' readings from their meter. Where the estimate suggests a customer will fall into negative credit, this should be stated.

3.6.2 Self Disconnections based on estimated meter values

1. **Do you agree with the CRU's proposal that disconnections should not be permitted on the basis of estimated meter reads?**

SVP is in absolute agreement that disconnections should not be permitted on the basis of estimated meter reads. Estimations may not reflect actual usage, particularly for households who self-ration in response to low credit.

3.7 Customer Reverting to Billpay

1. **Do you agree with the CRU's proposal that the new meter remain in situ should a customer revert to billpay?**

Provided there is no charge, SVP supports Option 1, where the new meter should remain in situ should a customer revert to bill-pay. Once a customer swaps to Billpay Mode, the meter must be treated for billing purposes as the equivalent of a traditional credit meter.

Retaining the meter in situ allows for greater flexibility should customers' circumstances change. It also allows for some added flexibility for tenants, who may move to a home with a new PAYG meter and opt for credit pay, or vice versa.

3.8 Granularity of Meter Read Data

1. **Do you agree with the CRU's proposal that a single 24 hour meter read should be collected?**

If data can be collected and updated credit can be presented to households more frequently than every 24 hours, *with no added costs to households*, this should be done. Households are accustomed to frequent readings and have based their energy consumption and budgeting on this. The move to daily readings is a significant change, and if there are any more frequent options, they should be explored.

3.9 Emergency Credit & 3.10 Debt Recovery Hierarchy

1. **Do you think that granting suppliers the ability to alter the emergency credit threshold and emergency credit limit would be beneficial to customers who find themselves using emergency credit?**

Providing flexibility in the emergency credit threshold and emergency credit limit would be helpful to customers. However, SVP recommends that in addition to setting mandated maximum and minimum values, the CRU mandates that any change from the 'default' be based on clear engagement between a customer and their supplier.

2. **What are your thoughts on the potential introduction of maximum and minimum debt recovery ratios for gas PAYG customers?**

SVP supports the potential introduction of maximum debt recovery ratios for gas PAYG customers. The introduction of maximum and minimum debt recovery ratios must be subject to separate, additional consultation.

3. **Do you think the collection of emergency credit debt, legacy debt, and standing charges debt should be treated differently and thus be subjected to different recovery ratios?**

Currently, gas PAYG customer debt recovery ratios are:

- Legacy debt: 10% recovery
- Emergency credit & standing charges: grouped together and recovered pro-rata, combined maximum of 35% recovery.

Given the design of the new system, we recommend that the emergency credit debt be separated from standing charges debt and subject to the minimum debt recovery ratio. We welcome the flexibility in the new system, which will allow for these ratios to be updated following CRU decisions. The CRU must closely monitor gas PAYG customers' usage of emergency credit as a result of the changes in balance availability and alter the recovery ratio accordingly.

Section 4

1. **Do you believe that vulnerable customers, customers in financial hardship, or any other customer cohort, should be prioritised when deploying the new meters?**

Vulnerable customers and customers in financial hardship should be prioritised when deploying the new meters and in the design of the new system. It is critical that their use of PAYG meters be fully understood by the CRU to ensure that the final design of the system meet their needs and does not exacerbate current problems.

We welcome the acknowledgement that should there be issues that arise in the initial stages of meter replacement, any 'prioritised' customers may experience difficult-to-manage issues without ready-made solutions. It is important that vulnerable customers and customers in financial hardship are not 'guinea pigs' for the new system; it is also important, however, that their needs are given due focus and that they can avail of the improvements in the system. SVP recommends that as part of the prioritisation of vulnerable customers and customers in financial hardship, energy suppliers are proactive in their communications with these customers and flexible given potentially unforeseen issues in meter replacement.

2. **Do you believe the new gas PAYG meters would be a suitable product for customers either on, or eligible to be on, the vulnerable customer register? If not, do you think these customers should be encouraged to a billpay solution?**

We recommend that focused consultation on the new system be carried out with vulnerable groups and their representatives.

SVP believes the new gas PAYG meters are suitable for vulnerable customers. The possibility for remote support and communication is an improvement on the previous system and will be of benefit to many vulnerable customers. The CRU and energy suppliers should be cautious to 'encourage' customers toward any system – PAYG or bill-pay. Customers, particularly those in financial hardship or on the vulnerable customers register, must be put in a position to make the choices that are best for them. Without this choice, any new system would undercut customers' dignity and engagement with suppliers.