

Smart Meter Central Delivery Body

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Dear Bart

Response to Ofgem consultation: Consumer Empowerment & Protection in Smarter Markets

Thank you for inviting me to respond to your consultation "Consumer Empowerment & Protection in Smarter Markets" (hereafter, "the consultation").

I would also like to thank you and Grant McEachran for giving up the time to meet me and explain some of the thinking that lay behind your proposals in the consultation. That was invaluable in helping me to understand your core aims, as also has been the time that Stephanie Tobyn has given up to discuss key issues with me, and make her contributions to our organisation as an observer to our Board. I have focused my response on seven areas.

1. Ensuring financial benefits initially accrued by energy suppliers and/or networks are passed back to consumers

You will have heard me speak on many occasions about the importance for consumer confidence in the smart meter programme that consumers will be able to trust that the benefits, initially accrued by energy suppliers and networks, make their way back to consumers in the form of reduced costs in bills.

You will of course be well familiar with the updated impact assessment ("Smart Meter Rollout for the domestic and small and medium non-domestic sectors (GB) IA no: DECC 0009). As you will know, this confirms that these benefits make up a very significant part of the financial benefits realised by the national move from "dumb" metering to smart metering.

I am aware of recent debate (which extends far beyond the issue of smart meter costs) on the issue of transparency within energy company accounts/bills and consideration of the publication of greater segmentation within company accounts in order to allow consumers to see that the costs that reach their bills are a fair reflection of the costs on energy suppliers. We very much welcome this agenda, and hope that all involved will consider how best to ensure that transparency on smart meter programme costs, and resulting financial savings and passage of those savings to consumers, is transparent. I too will certainly also continue to do my part

to remind all involved in the public debate of the importance of this issue, and will emphasise the facts as set out in the Impact Assessment as we strongly believe that it is this factual basis that should provide the anchor for this debate.

2. Bill accuracy & change of supplier

You state (p.24, "Foundation Stage, 3.24-3.31) that work will likely need to be done to ensure that regulation properly enables consumers to gain the true benefits of accurate billing through smart meters, as these are best realised when aligned with other features such as optimal billing frequency, optimum regularity, frequency of adjustments to direct debit payments and the ability to pay by variable direct debit arrangements.

I agree with your analysis that these areas are extremely important. This point has also been emphasised by recent work by Consumer Futures, amongst a number of other consumer groups. However, you also state that none of these areas are adequately considered in either the limited licence obligations or the more extensive voluntary billing arrangements.

At p.25, section 3.27, you raise the issue of some consumers' having billing complaints after they have had a smart meter installed. You state that these may be limited in number and the result of "teething" issues; you also state that you will "look to gain a better understanding of these" through your activity under the Consumer Empowerment and Protection workstream. I believe that any continued billing inaccuracy experienced by smart meter customers, even if numbers are small, has the potential to fundamentally damage overall consumer confidence in the smart meter programme. We will therefore strongly support the on-going scrutiny and work by DECC and Ofgem to ensure that all smart meter customers will receive an accurate bill.

3. Change of supplier ("switching")

You also state (p.25, section 3.29) that you would consider formal regulation were there to be a failure of industry self-governance on the issue of change of supplier and the timing of the opening and closing of bills and repayment of credit balances.

Our consumer research has shown considerable support for the role that smart meters will play in enabling speedy and reliable changes of supplier (critically by basing analysis of switching choices on a real view of consumption and so a much more accurate view of the best potential deal) and so we believe that this area should be kept under close watch as it is key to a significant area of consumer benefit. We are of course aware that Ofgem's consideration of speeding the switching process (ie "next-day switching") is being worked on urgently. We do support this, as successful speedy switching processes will be key to the full realisation of this important smart meter benefit.

4. SMETS 1 meter enrolment in the DCC

It is DECC's intention that all SMETS 1 meters should be installed in the DCC. Clearly enrolment of these meters is a key to allowing those customers to access the full range of smart benefits with their current supplier *and* if they wish to switch supplier.

However, we are not currently clear how timely enrolment in the DCC for SMETS 1 meters will be enforced. This is an area that we will want to work closely with DECC and Ofgem to understand and ensure is carried out in the way that best ensures protection of consumer access to benefits.

5. Tariff Innovation

I recognise that it is not possible to foresee all of the changes that will occur in the market. However international examples and consideration already well underway by many energy suppliers provide a sense of direction of the sorts of products and tariffs which may become available as we see greater innovation applied to tariffs.

Considering the work Ofgem is already planning over the period of the foundation stage of the smart meter programme on time of use tariffs and RMR, it would be appropriate to look at this area as early as possible. My belief is that change to regulation may well be needed in order to encourage this market to develop, and that we would certainly not want current regulation to be a barrier to the development of time of use innovation.

6. Provision of consumption data and information

I believe that this area of work should also be looked at sooner than in the proposed timeframe. I agree with the analysis as set out in the consultation that this area has great potential for vigorous innovation, providing new services to customers and thus potentially some of the most exciting future benefits, but only provided consumers have regular access to data, and are easily empowered for this data to be shared with third parties (at a sensible cost).

I believe there needs to be active work to assess whether regulation as it currently stands, and also the costs of data access from the DCC, are barriers to this innovation being able to emerge.

7. Benefits for prepayment customers

I welcome that prepayment will be considered in the foundation stage of your proposed work programme.

You state (p.21-22, section 3.14) that you "expect industry to make smart prepayment available early on, and are committed to facilitating this" and that (p.23, section 3.22) beyond the start of mass roll-out you will "review the extent to which smart prepayment is being made available."

Our organisation has a remit to give additional consideration to the needs of pre-pay customers, and so this is an issue on which I care a great deal. I noticed recently (see Energy Live News, 13.2.2014) that Maxine Frerk has been speaking about enforcement of energy supplier actions to meet intermediate targets of smart meter installations en route to 2020. I would urge that any such scrutiny of intermediate targets properly considers that pre-pay customers are being provided with smart meter technology in the most timely way within supplier roll-out programmes.

I hope that these points provide a useful contribution and support the development of the proposed work plan to its final iteration. I look forward to discussing a number of these areas in our forthcoming meeting with your new Chairman David Gray, and Sarah Harrison (at which I will be joining the SMADB Chairperson, Margaret McDonagh).

I would of course also be keen to discuss these points directly with you and Grant.

Kind regards

SACHA DESHMUKH
Chief Executive