

Colin Down  
Smarter Metering  
9 Millbank  
Ofgem  
London  
SW1P 3GE



26 September 2014

By email

Dear Colin

**Extending the smart meter framework for data access and privacy to Remote Access Meters**

British Gas supports the principle of equal protection for smart metering customers, regardless of the meter that is installed at their premises. Customer fairness is fundamental to the operation of our business.

But we must be cautious in assuming a positive outcome when applying a set of rules that were not conceived for the situation now being addressed. The current obligations were drafted in the context of meters yet to be installed. Applying an identical process to meters that have already been installed drives customer contact that is unlikely to be welcomed, will deliver a reduction in service for most customers and adds cost for some suppliers, but not all. The process will do nothing positive for our relationship with customers.

Ofgem's proposed extension of the existing data access and privacy regulations to Remote Access Meters impacts British Gas more than any other supplier. As we have made clear in our previous responses, we have concerns about the impact that the proposal will have on our customers. There is nothing in the proposed approach to allay these concerns. Further, whilst we accept that the changes have an implementation date that is in the future, by introducing these rules well after the natural point of engagement (meter installation) for a group of customers for whom an arrangement is already in place, it remains our view that their application is retrospective.

In summary, we believe that:

- the potential customer detriment from implementing the proposals is greater than from doing nothing;
- the risk of customer detriment from doing nothing is low and short-term; and
- contacting a quarter of a million customers is a costly exercise and falls unfairly on those suppliers who have done the most to promote and deliver smart metering.

These points are considered in further detail below. In addition, we have proposed an alternative approach to the licence drafting which we believe can deliver the intent of Ofgem's proposal whilst addressing the three concerns above, by exempting those meters installed before the provisions go live from some of the procedural elements of the obligation.

**1. The potential customer detriment from implementing the proposals is greater than from doing nothing**

1.1. In applying the proposed regulation we would be required to contact our existing customers to secure opt-in for half-hourly read collection. This will have one of three outcomes:

1.1.1. *Customer confirms their agreement to supplier access to half-hourly data.* We expect only a small proportion of customers to take this option, despite our efforts to explain clearly the benefits. This is likely to be seen as an irritant by most customers: why should they be required to spend time and effort to keep something that had not been asked for, was interesting but hardly important?

1.1.2. *No response.* The insight provided through the Smart Energy Reports will necessarily default to one based on a daily reads only: a degradation in service and benefits. At best this will go unnoticed, at worst it is seen as a reduction in service, eroding trust.

1.1.3. *Customer opts out of daily reads.* This would be an informed decision to reduce the supplier access, perhaps because they are unconvinced by the benefits provided. Since we already publicise customers' ability to opt-out, it would be reasonable to expect the small number of customers who have concerns about supplier access to data to have done so already. Some customers may also assume that there is something about which they should be concerned, and opt-out 'defensively', thinking that it might be safer to do so than to fully assess the pros and cons. Service and benefits are eroded.

1.2. There are two important points to note from these scenarios. Firstly, none of them has a positive impact on the smart benefits case for customers. Based on our experience of response rates, and the known low importance of this question to our customers, we can expect hundreds of thousands of customers to experience a reduction in read frequency.

This limits the insight that we are then able to provide to customers to help them understand (and potentially modify) their consumption behaviour, a central component of the consumer benefits case. Secondly, none of the above scenarios is a positive customer experience since they are required to invest effort in contacting their supplier about something that they never asked for. We are concerned that it could be viewed negatively by customers. We will design any communications to avoid that reaction but the risk remains, and would be unhelpful to customer engagement for smart metering as a whole.

- 1.3. We maintain that the possibility of customer confusion is real, and that apathy or irritation are also predictable outcomes. We do not feel that the customer detriment - zero in most cases - justifies a policy that risks such negative reactions and customer inconvenience.

## **2. The existing risk of customer detriment is low and short term**

- 2.1. For customers, the nuances of variations in the technical specifications of smart meters should be of no interest. We have always asserted that customers of Remote Access Meters (RAM) experience the full range of functional benefits including, from British Gas, the Smart Energy Report on consumption patterns. For this reason we have endeavoured to apply government policy equitably, irrespective of meter type.
- 2.2. For example, we adopted SMICoP principles while that Code was still in draft form, and we alerted customers to the data collection frequency while that policy was under development. Once the new rules became operational in 2013 we applied them for all installations, including RAMs. That was the right thing to do and we accept the principle of offering equal levels of consumer protection to all customers. For customers for whom smart meters had already been installed we embraced the principles of transparency and choice by including on the Smart Energy Report information about data collected and how to change this.
- 2.3. However, we must also protect those same customers from any unintended consequences of now unpicking the arrangements that are in place. We do not believe that the case for addressing perceived detriment to these customers has been made. In addition, the customer population affected by the perceived risk is not getting bigger. Indeed, it will reduce over the course of the roll-out. Any growth of the relevant population of Remote Access Meters has stopped almost entirely. The vast majority of smart meters now being installed - ours included - are SMETS-capable or SMETS-compliant and so are already captured by the licence obligations as they currently stand. The situation is likely to be

similar for the smaller non-domestic market within the next year or two.

### **3. Contacting a quarter of a million customers is a costly exercise.**

- 3.1. The proposal imposes significant cost on British Gas and our customers. It is likely to require a dedicated postal campaign, including pre-paid return postage forms, and some development of our customers' online account management functions. We can expect an increase in customer contact and will need to train call centre staff to be able to explain to customers why they have been contacted and what their choices are. We cannot assume that customers will remember their initial choices or why they made them.
- 3.2. In addition, we expect to have to manage and fund a substantial activity with our head end service provider in communicating with the majority of the domestic Remote Access Meters in our portfolio, in order to set them from their current default half-hourly read frequency to the new default of daily read. Lastly, we can anticipate there being instances for which it may even be necessary to visit site and exchange a meter, in cases where we are unable to reconfigure the meter in the way the customer has chosen (including by not responding to us). Such faults would, of course, have to be addressed in any event, but this activity is a diversion of effort that would otherwise be supporting our deployment of SMETS meters and supporting services.
- 3.3. In summary, we do not believe the case is made for the application of the regulations to Remote Access Meters. We would not challenge the policy were it not for the inconvenience to customers (our first concern), and the financial impact on us and ultimately our customers (our second concern).
- 3.4. Of the 800,000 'smart type' Remote Access Meters currently operated by the UK's larger energy suppliers, two thirds are installed in British Gas customers' homes. Any erosion of benefits affects our customers disproportionately. Any unexpected cost impacts us disproportionately. Those suppliers that have chosen to continue to install traditional meters, denying their customers the benefits that smart metering can offer, will incur no additional cost as a result of Ofgem's proposal, hence their relative ambivalence. British Gas and our customers are being asked to bear additional cost for having acted upon the policies set out by DECC and Ofgem that have sought to promote the early rollout of smart metering in the UK. Ofgem must be clear that this is money well spent, justified in the context of the existing risk to consumers. We do not believe that is the case.

#### 4. Alternative approach

4.1. It is important that customers are able to make an informed choice over supplier access to consumption data. We believe that all our customers are in that position today. We will continue our current practice of informing all customers periodically of their rights to change read frequency. We accept that SLC 47.15(b) should apply to RAMs and that the amendment to 47.15 (a) is appropriate. We suggest, however, that there should be exemption from SLC 47.8(b) for RAMs already installed:

1. The obligation to seek explicit consent in advance of collecting half-hourly reads ('opt-in') (47.8(b)) Prior to the introduction of the regulations governing supplier access to data, we explained to customers being given smart-type meters that we would collect half-hourly readings but that customers could request fewer if they wished. This was also included in our Customer Charter which was signposted or sent during the appointment process. We accept that most customers will now have forgotten that conversation and/or document so we now include these words on the Smart Energy Report. In our view, this practice is sufficient to justify the exemption from collecting opt-in consent.
2. The obligation to tell the customer that we need their consent to collect half-hourly reads (47.8 (a)(iii)) This is redundant in the case that an exemption is granted from number 1.
3. The obligation to maintain records of having contacted the customer for the above two obligations (47.13 (a) and (b)) It follows that we cannot record the activity if we have not undertaken it.
4. The obligation to give advance notice that we will be collecting data and what we will be using it for (47.11 and 47.12) This obligation seems redundant when we have been collecting reads data for months and years from these customers. Furthermore, we gave such notice to existing smart customers before their meters were installed.

Remote Access Meters installed after the licence is amended should be subject to all provisions as drafted in Ofgem's proposal.

In conclusion, we will continue to inform all customers of their right to decide on the level of data they want us to access and how to go about asking for this to change. For those who are yet to

have a RAM installed, we will continue to ensure that their explicit consent is sought for the collection of half-hourly reads before we start collecting. This applies also to customers who switch supply to us. But for those who have already agreed to their current read frequency through the original installation process, explicit consent can be sought and recorded when these customers have their RAMs replaced by SMETS meters, or when a customer switches their supplier.

We believe that this is a reasonable compromise which delivers the intention of the proposal - that is, the extension of choice and protection to all smart metered customers - without the unintentional but unavoidable reduction in customer benefits, the negative impact on British Gas' relationship with its customers, and the additional cost burden on British Gas and its customers.

We would be very happy to discuss this further. Please contact me or David Speake if this would be helpful to you.

Yours sincerely

Andrew Pearson  
Head of Smart Metering and Industry Codes

## Appendix

### Comments on licence drafting

#### 1. Misleading wording: 'opt-out'

We note that the way that the proposal as described in the licence amendment notice is incorrect, and may be misleading. The notice makes reference to 'opt-in consent' – which we understand as the customer giving explicit consent to our collecting data more frequently than daily – but then also to 'opt-out consent' - which is misleading in the context of the obligations. There is no explicit consent collected by the supplier when a customer opts out. If we hear nothing, we collect reads daily, and the customer has the *right* to opt-out by informing us. This needs to be reworded.

#### 2. Larger size meters at domestic premises

Our obligation to install smart meters at domestic premises does not apply to domestic customers whose gas meter is designed to operate above 11 cubic meters (in other words, U16 meters and above). It follows, then, that some domestic customers may retain a RAM beyond 2020; and also that the same complications may exist in relation to communicating with these meters as for the non-domestic meters. For this reason, it would be sensible to incorporate the same flexibility or exemption for these meters as for the non-domestic Remote Access Meters. This could be achieved quite easily in the licence drafting.

#### 3. Loss of reference after amendment

47.9 (b) needs to be reworded. “that category” in this clause refers to “a particular category of relevant premises” which has been removed from 47.9 (a). The clause could be redrafted, for example:

*“(a) where the relevant premises is part of a Trial and that Trial is approved:*

*(i) in the case of a Remote Access Meter by the Authority, or;*

*(ii) in the case of an Electricity Meter that forms part of a Smart Metering System by the Secretary of State*

#### 4. Incomplete change marking

The change marking is incomplete. Only a proportion of the amendments are marked up.