

## Consultation response

Ref 2610

# Smart Meter Implementation Programme

September 2010

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This consultation from the Government and energy regulator Ofgem sets out initial proposals for how smart metering will be delivered, including design requirements, central communications, data management and the approach to roll out. There are two deadlines with responses to some questions being required one month earlier than the others. This is the response to the earlier deadline.

## Key points and recommendations

- Our main concern is for those older people who are likely to be late adopters in the process. We are also concerned to minimise the costs of the programme, much of which will be born by consumers.
- To meet the needs of vulnerable older households our preference is for an area based approach
- We think there is a tension between the installation of the meter and explaining the functions and use of the IHD
- We are not convinced that a skilled meter installer will also have the ability to communicate with all householders
- We are very worried at the opportunity the roll out programme will give to distraction burglars and rogue traders, crimes that specifically target vulnerable older, usually single households
- There is a great danger that if raising of awareness of the rollout is left to individual suppliers considerable consumer confusion could be caused
- We were concerned at the reference to marketing activities in the document since we do not think any marketing activity should take place at the time of installation
- Whilst accepting the need to give suppliers targets, these must not result in insufficient time being given to those households that will need longer to understand how to use their IHDs and the impact they could have on their energy use.
- We do not think the rollout programme should prioritise specific consumer groups
- We support the need for monitoring but think reporting should be carried out on a quarterly basis in the initial phase of the rollout programme
- We are extremely concerned at the implications of the rollout programme for people who have dangerous gas appliances that they cannot afford to replace. We think consideration should be given to supplying replacement equipment as part of a help scheme
- We are in total support of the need for installers to develop an installation code of practice. However the code must be agreed with consumer groups and subscribed to by all suppliers

## 1.Introduction

1.1 We are pleased to note that the Government intend to put consumers' interests at the heart of the programme. We have always had some concerns about the costs of the programme compared to the benefits. Given that the reduction in energy use by domestic households accounts for 40% of the benefits, having their support and

understanding will be a major factor in the success of the programme. To ensure this support is achieved the way in which the roll out is managed and how suppliers behave when installing the meters are of crucial importance.

1.2 We are also pleased to have been invited to participate in the Consumer Advisory Group to Ofgem on the roll out programme and are glad to see some of our concerns and proposals are included in this document. We note the next stage of work will include an investigation of initiatives to promote consumer engagement and we look forward to participating in these discussions.

1.3 As the document acknowledges, there is still a lot of work to do to ensure consumers receive a positive experience of the smart meter roll out. We must re-iterate our concerns that British Gas has announced they intend to start their smart meter roll out well in advance of 2012, the date proposed for the start of the national roll out. They are likely to start before sufficient consumer protection measures such as the code of practice for installations have been finalised.

1.4 Our comments are restricted to answering the proposals in the supporting document *Rollout Strategy*. This will also address the more general question 3 in the main document:- 'Overall approach to ensure customers have a positive experience of the roll out'. Our main concern is for those older people who are likely to be late adopters in the process. We are also concerned to minimise the costs of the programme, much of which will be born by consumers.

## **2. Question 1 – 3 Do you believe the proposed approach provides the right balance between supplier certainty and flexibility to ensure the successful rollout of smart meters?**

2.1 We could be more sympathetic to Ofgem's preference for a market-led implementation if it were not for the fact that, as stated in paragraph 2.12 of the document, 40% of installations are likely to be due to the need for replacements and/or new build. Hence although we can see the logic for initially targeting innovators and early adopters, the early stages of the programme are likely to include people who would otherwise be late adopters simply because their meters need to be replaced. We think that late adopters are likely to be the more vulnerable members of society who will have particular information and support needs that we do not think will be addressed if market led- implementation is the roll out approach taken. We think it would be particularly iniquitous if vulnerable households were unable to benefit from the installation of smart meters and IHDs because there was insufficient help and support available to them at the time the meter was installed.

2.2 To meet the needs of vulnerable older households our preference is for an area based approach. This would mean that neighbours and local communities would be experiencing the same change at the same time. This would not only bring more reassurance to vulnerable older households but enable them to enlist the help and support of other people living nearby. It would also offer a more coherent locally focussed rollout programme which would be easier to publicise.

2.3 As Ofgem will already be aware, we are keen that the roll out of smart meters adopts some of the practices that have been so successfully employed by Digital UK in the digital switchover programme. In particular they have engaged the support of

local authorities and other trusted third parties who have played a valuable role in promoting consumer awareness and engagement. We consider enlisting the support of local organisations such as Age UK partners will be similarly helpful in getting the co-operation, support and understanding of older people for the smart meter rollout, as it has in the regional digital switchovers.

2.4 We do not think suppliers working individually or on the market led basis proposed in this document will be able to engage sufficiently at a local level. Voluntary agencies are under-resourced and are more likely to be able to engage with larger industry bodies as opposed to individual suppliers. We also think working on an area basis would be more cost effective for suppliers since, by co-operating across an area, they could share the costs of engaging with local authorities, media and voluntary agencies. They could also share the costs of training supporters on what is involved in the smart meter roll out and on energy efficiency measures that households could make to reduce their energy consumption. However, if a market led approach is decided, the energy industry should provide information on the programme to local voluntary organisations in touch with potentially vulnerable households. This would allow them to be able to inform and re-assure their clients who may be apprehensive or fearful about what is happening to them.

2.5 We think there is a tension between the installation of the meter and explaining the functions and use of the IHD. Firstly, although it will be more cost effective if the number of meters installed daily can be maximised, the time taken in having to explain how the IHD works will vary from household to household with some taking much longer than others. It is critical that people are given the time necessary for them to understand the IHD if the reduction in energy usage is to be achieved. We have some concern that, if Ofgem sets targets as proposed in Chapter 4 of the document, this might result in insufficient time being made available to households that need longer to understand IHDs and the benefits of the programme sufficiently.

2.6 Secondly we are not convinced that a skilled meter installer will also have the ability to communicate with all householders. Using staff and volunteers of local agencies who do have the necessary communication skills would be helpful either in the installation visit or helping with the subsequent enquiries that are bound to occur. Experience of the digital switchover has shown that some older households need reassurance and, sometimes, need further explanation after the initial visit, so it has been very helpful to them to be able to contact a local organisation for follow up help.

2.7 We are very worried at the opportunity the roll out programme will give to distraction burglars and rogue traders, crimes that specifically target vulnerable older, usually single households. Digital UK has set up successful liaison arrangements with local trading standards departments, police and Operation Liberal which has minimised this risk and we would like to see energy suppliers do the same. However this has been much easier to achieve given the regional roll out of digital switchover than it will be with a scatter gun national approach.

### **3. Question 4 – 5 Mechanisms for consumer engagement**

3.1 Given that ultimately, consumers will pay the costs of rollout, it is important to avoid low access rates. However this will, in part, depend on households accepting and understanding of the benefits to them of having smart meters. This needs to be

achieved by a national campaign but we also think it would benefit access rates if local agencies could be engaged to bolster support for the rollout. Again this indicates that the area approach would be more effective than a market led one.

3.2 If raising awareness of the rollout is left to individual suppliers there is a great danger that considerable consumer confusion could be caused. We think it is important that the messages and language used are consistent and not differentiated in any way. We therefore think that there should be a common national awareness campaign subscribed to by all suppliers. We also think a co-ordinated approach would more cost effective compared to suppliers doing it on an individual basis.

3.3 There is evidence that consumers do not trust their energy companies and a co-ordinated approach could also benefit by having logos of trusted national agencies on the literature. This has proved helpful in digital switchover in ensuring households taken more notice of the literature they are sent. We think this could also be helpful for written information sent to households about the smart meter rollout, provided this was done on a co-ordinated basis.

3.4 We were concerned at the reference to marketing activity in chapter 3 but it was not clear what particular marketing activity was being referred to. We were also concerned at the proposals to 'integrate its awareness messages with other initiatives'. The message about smart meters needs to be confined to the benefits of smart meters and not confused with any other initiatives. Nor do we see smart meter roll out as a commercial or marketing activity for individual suppliers and we do not think that individual sales and marketing activities should be linked or co-ordinated with smart meter roll out in any way, particularly at the installation visit. We are also concerned the document considers there is a need for suppliers to provide more detailed energy efficiency advice 'at the point of installation' and would like more information on what this actually means.

3.5 Although this Chapter asks about a code of practice we consider the points to be covered – information before during and after, training provided in using IHDs and meters and what advice might be given to consumer by the meter installer - should be covered in the installation code of practice suggested in Chapter 7.

#### **4. Questions 6 – 9 Obligations on Suppliers to complete the rollout**

4.1 We agree that any obligation on suppliers should only require them to have taken reasonable steps to install the smart meter. What is reasonable will be up to Ofgem to determine. We think the proposed monitoring of the programme will enable Ofgem to determine whether an individual supplier is reporting an above average number of 'unable to install' returns and investigate such incidences to determine if the supplier has taken all reasonable steps.

4.2 We welcome the proposal not to expect suppliers to apply for warrants simply to install smart meters since this would add to the expense of the programme. In any event, we would expect difficulties in gaining access to premises will be minimised if positive engagement with consumers about the benefits of having a smart meter has been successful. We agree with the definition of what constitutes a completed installation as proposed in paragraph 4.10.

4.3 Whilst accepting the need to give suppliers targets, as outlined in paragraph 2.4 above we are concerned these targets do not result in insufficient time being given to those households that will take longer to understand how to use their IHDs and the impact they could have on their energy use. Whichever target approach is decided upon, it is imperative they allow sufficient time for each household. Households should be left with information on which local organisations they can contact should they need further help and information (as Eaga currently does after completing any Warm Front survey).

4.4 Our preference is for interim targets rather than a completion target. As the document states, requiring interim targets will lessen the possibility that suppliers will choose to roll out in ways that benefit them rather than the consumer. We agree that the targets should be linked to the customer base rather than the number of installations.

## **5. Questions 10 and 11. Prioritisation of specific consumer groups and reporting arrangements**

5.1 We do not think the rollout programme should prioritise specific consumer groups. In general we think this would add to the costs of the programme, which will increase consumer bills. Whilst a large number of older households are in fuel poverty, the fuel poor are notoriously difficult to target. Nor are we convinced that the installation of a smart meter will have much effect on their energy consumption. Households are fuel poor primarily because they are on low incomes and live in energy inefficient homes.

5.2 Also we think more vulnerable older households, many of whom will be in fuel poverty, will benefit from additional support which we do not think will be available in the early stages of rollout. Prioritisation should only be done on the basis of specific types of meter and not on the basis of the customer profile.

5.3 We support the need for monitoring. This will be important both in order to identify problems and learn from experience which may necessitate changes in licence conditions or obligations and in establishing whether the programme is achieving its objectives. For these reasons we think reporting should be done on a quarterly basis in the initial phase of the rollout programme. It may well be possible to reduce this to requiring annual reports at the later stages.

5.4 As well as reporting unable to install as discussed in 4.1 above, we agree that meter category of customer, customer requesting meters and installations being carried out as part of a specific trial, initiative or local project should be included. Since a key objective of the programme is to reduce energy consumption, this also needs to be included in any report. However we also agree this is not straightforward and support further work is needed on how this should be done.

## **6. Questions 12 and 13 Other consumer issues**

6.1 While there may be sufficient protection in place to ensure that meter installers are fit and proper people and no further protection is required in supply licences, the key to minimising the opportunities that rollout provides for rogue traders and distraction burglars is to ensure consumers know what to check when allowing a

meter installer into the house. We have already discussed these concerns in paragraph 2.6 above in support of having an area-based approach to rollout. It is critical that information about rollout should address this issue. We also consider that all households should be notified in writing of the intended time and date of installation and approximate length of the visit. This letter should also contain reminders of what information the householder should ask for before letting the installer in and encourage everyone to have someone with them if they would like.

6.2 We are extremely concerned at the consequences the rollout programme will have of the disconnection of dangerous gas appliances and the implications this may have on low income households. We are aware that many older people are too frightened of call out charges to contact someone to look at or repair an appliance when it goes wrong. They are also concerned about appliances being disconnected, since replacing them causes problems in their budgeting.

6.3 Research published by Age Concern<sup>1</sup> reporting on qualitative research undertaken with older people living on a low income found that all of them mentioned they were always worried that some form of unexpected financial 'disaster' would take place. One quoted 'We're all right and we can go on like this unless something like the boiler goes wrong or something'. All found the costs of items breaking down a particular worry because of the call out charges for engineers, regardless of whether or not they were able to fix the equipment. Because many have very old machines, they are concerned that they will have to pay a call out charge only to be told the item cannot be mended. Hence there were occasions when, unable to afford to fix it, they had simply managed without it until they could afford to have it mended.

6.4 If the rollout programme results in many appliances being disconnected, this could deter some households taking part by refusing to have their meters replaced, or leave people with no heating and cooking appliances which could have a detrimental effect on the reputation of the programme. We think this is a problem which needs addressing to see if some solution could be found. It could be that replacement equipment could be part of a help scheme as proposed in paragraph 7.23.

6.5 We are in total support of the need for installers to develop an installation code of practice and welcome industry's offer to develop one. However the code must be agreed with consumer groups and subscribed to by all suppliers. We are in support of carrying out research into customer experiences but think this should be done independently of suppliers.

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<sup>1</sup> Just above the bread line. Age Concern Feb 2006

