

# Consultation response

Ref: 3112

## Smart Meter Implementation Programme

October 2010

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This consultation from the Government and the energy regulator Ofgem sets out initial proposals for how smart metering will be delivered, including considerations on the in house displays (IHDs), consumer protection and data privacy issues. There are two deadlines with responses to some questions being required one month earlier than the others. This is the response to the second deadline.

## Key points and recommendations

- We support the proposal to require the IHDs to have a set of minimal requirements
- We are concerned that Ofgem do not intend to define what the historical data should be. We suggest Ofgem conduct research to determine what consumers would find most useful and make this a minimum requirement.
- It is imperative that IHDs should be accessible for all consumers. However from considerable experience in promoting the concept of inclusive design, unless Ofgem make provision of accessible IHDs a supply licence obligation, they will not be provided.
- We think early movers should be required to offer an IHD with the minimum requirements and full explanation on how it works unless the householder has alternative means of feedback on energy consumption
- We think it is disappointing that Ofgem continues to consider a multiplicity of tariffs to be a good thing. Research continues to show that consumers find the number of tariffs on offer confusing. We think with the introduction of the IHD it is even more important suppliers offer tariffs that are simple and straightforward to understand if consumers are to reduce their energy consumption
- The installation should not be used for any sales and marketing activity. It should however be used to improve company data on location of meters and whether household is eligible to go on the Priority Services Register (PRS). This would help to ensure households are not remotely switched to prepayment where it is not suitable or where the occupant is vulnerable
- Given the costs of site visits, we think these should only be required before switching to prepayment or disconnecting if the supplier cannot ascertain whether this would be inappropriate or the occupant is vulnerable
- We are attracted by the possibility that smart meters would allow load limiting or trickle disconnection rather than complete disconnection
- It is particularly important that sufficient support systems are in place before vulnerable households receive their smart meters. On this basis we are not in favour of prioritising them since we do not think these will be in place in the early stages of roll out.
- We strongly agree the costs of roll out should be monitored and suppliers regularly report on costs directly to the programme. However we also

think there should be greater transparency on customer bills and that the costs of roll out and other similar charges such as CERT and the renewables obligation should be itemised on customer bills

- We strongly support the proposal that the data belongs to the consumer and that they should choose how it should be used and by whom
- We support the proposal to have a privacy charter

## 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 estimated 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 critical importance.

1.2 We are also pleased to have been invited to be a member of the Consumer Advisory Group to Ofgem on the roll out programme and are glad to see some of their concerns and proposals are included in the 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 re-iterate our concerns that British Gas has already started their smart meter roll out well in advance of 2012 which will be before sufficient consumer protection measures such as the code of practice for installations have been finalised.

1.4 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. Functional Requirements of the In House Display (IHD). Questions 1 to 6

2.1 We support the proposal to require the IHDs to have a set of minimal requirements. We are also pleased that the minimum requirements proposed are based on research that has been conducted to find what information consumers find most useful. We are not persuaded that usage information needs to be displayed in kilowatts and kilowatt hours as well as pounds and pence. As the document says, energy units are not well understood by consumers. If they want to find out what their current consumption is in terms of energy units, they can find this from their energy bills.

2.2 We accept that the pounds and pence information provided by the IHD will not coincide precisely with the actual bill. We agree that, provided the household is told this will be the case, most households will be happy with indicative figures. However, we are concerned that the complexity of the current energy tariffs could make reconciliation of the information from the IHD with the actual bill received difficult. We think it is very important that energy companies devise tariffs that are more compatible with the IHD information.

2.3 We agree that there should be historical data available on the IHD. We are concerned that Ofgem do not intend to define what this should be. We suggest Ofgem conduct research to determine what consumers would find most useful and make this a minimum requirement. We anticipate this is likely to be consumption at the same time last year. We do not agree the IHD should be required to give information on carbon emissions. As the CSE research found, 'the information was largely ignored by almost everyone' and there seems little purpose in making it a minimal requirement.

2.4 We do not think information on micro-generation should be part of the minimal requirements. We think those consumers interested in micro-generation are likely to be more affluent consumers who can afford to pay for a more advanced IHD which will show this information. We accept that due to technical difficulties there will be some delay in the IHD registering changes in energy use. We think most consumers will accept this provided they are told what the time delay is at the installation visit.

2.5 We think provision of ambient feedback on the IHD is important and have a preference for the speedometer gauge. This will be helpful for those in the population that have numeracy difficulties but would provide everyone with a better feel for what is going on. We understand concerns that ambient displays may frighten some people into turning off appliances, particularly heating appliances, which are needed to keep them warm. However, we know that many older people already turn the heating off to ensure they do not run up energy bills they cannot afford to pay without going into debt. We agree that this should not be a reason not to provide an IHD or provide ambient feedback on the IHD as a minimal requirement.

2.6 It is imperative that IHDs should be accessible for all consumers. It would be inequitable if disabled people and older people who will have the normal impairments of ageing could not benefit from the information provided by IHDs because they cannot use them. We agree with all the features suggested by the Ofgem Disability Advisory Forum. We have been advocates of the importance of incorporating inclusive design principles into mainstream products for many years. However, industry has been remarkably slow to recognise the importance of this given the increase in numbers of older people in the population. We therefore think that unless Ofgem make provision of accessible IHDs a supply licence obligation, they will not be provided.

2.8 However, we think the wording of the question relating to this particularly unfortunate and seems to show a lack of understanding of the inclusive design concept. It is not a question of 'appropriately designed IHDs should be provided to customers with special requirements.' It is as the Disability Advisory Forum said that IHDs that are designed on inclusive design principles will not only be usable by most disabled and older people but also easier for able bodied people to use. We are not talking about suppliers providing a different IHD for their customers with 'special requirements'. Suppliers should be required to provide usable IHDs to all their customers. However it may be necessary to have a range of usable IHDs to ensure the full range of impairments are covered.

2.9 We have no evidence on whether portability of IHDs has a significant impact on changing the behaviour of consumers. However, we do know from research on smoke alarms, that people often do not replace batteries when they have run out or remove them if batteries on another appliance, remote controls for example, have run out. We think this could be replicated if IHDs were to be battery charged so agree that IHDs should be required to be mains operated. However it is important for people who are less mobile to choose where they think a mains powered IHD would be best placed for them.

### 3. Nature of the mandate on suppliers. Questions 7 and 8

3.1 We agree that IHDs should be provided by suppliers and that it should be able to display both gas and electricity usage as a minimal requirement. Whilst we have no objection to a second supplier also providing an IHD, this should only happen if the householder agrees.

3.2 We have some concerns at the reasoning behind the conclusions reached on the requirements for the firms that start supply before the mandated roll out outlined in paragraphs 3.8 to 3.11 of the document. We have already outlined in paragraph 1.3 above that we are concerned that households receiving smart meters before the start of the mandated roll out will not have sufficient consumer protection and the support they might need. The inference in these paragraphs seems to be that early movers will be giving smart meters only to the more informed consumer who may not want an IHD because they have more sophisticated methods of consumption feedback.

3.3 However, in the supporting document Roll Out Strategy which we responded to last month, Ofgem advised that 'between 30 and 40 percent of all smart meter installations can be expected to take place because of one of these existing processes.' (vis new builds, repairing faults, recertification and replacement and switching between prepayment and credit meters). It is difficult to suppose that early movers will not be installing smart meters in such cases. If so there will be a number of less sophisticated household and more vulnerable households who would otherwise have been late adopters who will be receiving smart meters prior to the mandated national roll out. On this basis we fail to see any difference between what should be required in the mandated roll out to what should be required of the early movers.

3.4 We are worried about the use of the wording that early movers should be required to supply an IHD 'only on request', despite the fact they will be 'required to notify customers of their rights in this respect'. We think this could lead to less sophisticated households not understanding the implications of having an IHD and not asking for one. We think early movers should be required to offer an IHD with the minimum requirements and full explanation on how it works unless the householder has alternative means of feedback on energy consumption.

3.5 We accept it would be inappropriate to give suppliers an enduring obligation to maintain and replace IHDs in perpetuity.

#### 4. Developing services for consumers. Questions 1 to 5

4.1 We find Ofgem's conclusion that there is already sufficient protection for consumers to avoid potential tariff confusion disingenuous. Age UK has been saying for some years that there are too many tariffs. Choice is one thing but too much choice merely causes consumer confusion. The October 2010 'Which' report seems to agree with us. They say that liberalisation brought with it 'a bewildering range of energy tariffs that have left most consumers scratching their heads.' They found households in the East Midlands had 89 different tariffs available just for direct debit payers.

4.2 Ofgem's own research found 70% of consumers find the number of tariffs on offer confusing and just over half find it too hard to work out whether they would save anything if they did switch.<sup>1</sup> Yet this Smart Meter Implementation document is peppered with references to one of the benefits of smart meters being their ability to offer consumer even more choices which Ofgem considers is innovative.

4.3 If customers are to be able to gain some understanding about their energy use and costs via the IHD we think it is even more important that companies offer tariffs that are simple and straightforward. It is disappointing that Ofgem continues to consider a multiplicity of tariffs to be a good thing. The Which? report also referred to company practices when fixed term contract expire which we think Ofgem should look into.

4.4 While there is legislation and licensing conditions protecting consumers against misleading, aggressive or unfair sales and marketing activities it does not prevent them happening. So for example, Ofgem announced in September 2010 they are investigating 4 of the big 6 energy companies on the grounds of mis-selling when the new licence conditions governing market practices only came into force in October 2009.

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<sup>1</sup> Consumer First – customer engagement. December 2008.

4.5 While we can see benefits of signposting consumers to where they could get advice on energy efficiency, given the track record of the energy companies we do not think the installation visit should be used for any sales or marketing activity. However, we do think the visit should be used to improve the data of suppliers. We think the precise location of the meter should be recorded and whether this location would allow the household to be switched to prepayment. We also think the visit should encourage eligible households to join the Priority Services Register. This will help when suppliers need to consider whether a person is vulnerable in situations where disconnection is being considered.

4.6 We also agree that the IHD should not be used to transmit marketing messages. We consider that this would be unwelcome for consumers and make it more likely that they stop using the IHD. However we have some concerns about the use of the word 'unwelcome' in relation to both permitted sales activity and sending marketing messages to IHDs in the document since it is open to different interpretations. We think no sales activity should be allowed and that the minimum IHD should not be able to be used for marketing messages. Messaging should only be allowed on non minimal IHDs and only if the consumer actively opts in to receive them.

## 5. Prepayment and remote disconnection Questions 6 to 15

5.1 Given our concerns about early movers, we warmly welcome Ofgem's intention to produce a package of measures for the continued safeguarding of consumers' interests by Spring 2010. We are also pleased that Ofgem issued a letter giving interim guidance with regard to remote disconnections and remote switching to prepayment in August 2010.

5.2 As the document has identified, the necessity of having to visit the premises to install a prepayment meter meant that it was relatively easy to judge whether the installation of a prepayment meter (PPM) is safe and reasonably practical. i.e. whether the meter is in an accessible place, whether it is at an unreasonable height or whether the customer's circumstances mean they are unable to understand or operate the PPM.

5.3 As we have said in paragraph 4.5 above, we think details of the location of the meter and whether this is suitable for prepayment should be recorded at the installation visit. We are concerned at the suggestion that suppliers may move inaccessible to accessible locations at the time of the installation. We are aware that the costs of doing this were why this service was eventually removed from those provided by the PSR. We do not think suppliers should be allowed to move meters as part of their roll out programme. They would only be doing this because it would enable them to switch the household to prepayment. However it would substantially increase the costs of the roll out programme to consumers.

5.4 While the existing protections in the licence may be sufficient to ensure consumers are not remotely switched to prepayment inappropriately or that



vulnerable customers are not disconnected, we think what would be seen as reasonable steps may have to change. Provided there are recent records of the location of the meter and its suitability as a prepayment option it would mean the only thing is to determine whether the consumer is capable of operating a prepayment system. Telephone contacts will need to ask sufficient and appropriate questions to be able to ascertain whether the person is capable, whether they are not capable and those that cannot be defined. On this basis it would only be necessary to visit the house where capability cannot be established. We do not consider the option of a 'suitable IHD' is sufficiently robust to be an answer to the problem.

5.5 We do not think sending a message to the IHD of an imminent switch to prepayment is sufficient. We think notification by letter should still be required giving 7 days notice of the switch. We think notice of disconnection should be done on the same basis.

5.6 We think the steps outlined in paragraph 3.29 should provide reasonable steps in determining vulnerability. However we think it would only be necessary to insist there is a visit where the records cannot positively demonstrate whether the customer is vulnerable. It does not, for example, seem reasonable to require a visit if the household is on the PSR.

5.7 We are attracted by the possibility that smart meters could allow load limiting or trickle disconnection. It could mean for instance that people could switch lights on if going to the toilet during the night which should be a safer option for them than having to do it in total darkness. We realise that the energy this would allow would need to be set at a level that would cause inconvenience as an incentive to pay the bill, but have insufficient knowledge to know what this would be. The vulnerable should not be reduced to load limiting.

## 6. Vulnerable consumers and fuel poverty. Question 16

6.1 We have already dealt with the concerns expressed by people involved in the FDS research about the negative effects of ambient information on the IHD in paragraph 2.6 above.

6.2 As expressed in our response to the consultation on roll out last month, we strongly support suppliers engaging local trusted voluntary agencies in the roll out programme which is why our preference is for area based roll out. This is particularly relevant in the case of vulnerable consumers. Vulnerable consumers are far more likely to contact a local trusted organisation than the energy supplier if they have questions arising after the installation visit. However we also think it will be necessary for suppliers to operate a single dedicated national helpline for enquiries for both customers and third party agencies.

6.3 It is particularly important that a sufficient support system is in place before vulnerable households receive their smart meters. On this basis we are not in

favour of prioritising such households in the roll out programme since we do not think the necessary support systems will be in place in the early stages of roll out.

## 7. Cost recovery and monitoring of costs. Question 17

7.1 We do not think consumers should be charged up front for the installation of a smart meter. While we think it will be unfair that the late adopters will be charged for the roll out programme well before they will get one themselves and reap the benefits of having an IHD (because we think late adopters are more likely to be low income and vulnerable households than early adopters) we see no alternative to the method proposed in the document. This is of particular concern for the vulnerable and low income customers of early movers since it will be even longer before the late adopters will receive their smart meters. We agree that only charging once the smart meter has been installed would be detrimental to take up for all the reasons given in the document. We therefore agree that suppliers should recoup the costs by spreading them across their whole consumer base.

7.2 We strongly agree that the costs of roll out should be monitored and suppliers should regularly report on costs directly to the programme. However we have been arguing for greater transparency in the information provided on customer energy bills for many years and think this is even more important given the introduction of IHDs to every household. While we agree customers find energy bills difficult to understand this is because they do not relate to the way energy consumption is reported – for example kilowatt hours are meaningless to most people. We do not think they are confused by standing charges and we do not think they would be confused with the appearance of the costs they are being charged for smart meter roll out. Similarly we think all the similar charges – renewable obligation and CERT for example should be itemised on energy bills.

## 8. Data privacy and smart meter security. Questions 1 to 5

8.1 We think the current approach to both data privacy and to ensuring the security of the end to end smart metering system is acceptable. We strongly support the proposal that the data belongs to the consumer and they should choose in which way their consumption data should be used and by whom. We support the proposal to have a privacy charter. We welcome the intention of Ofgem to determine which industry participants and third parties may wish to have access to this data since we think it is difficult to determine the privacy issues that may be involved by such a charter until it is known who may wish to have access.

