

Q1: Do you believe that the proposed approach provides the right balance between supplier certainty and flexibility to ensure the successful rollout of smart meters? If not, how should this balance be addressed?

We welcome the flexibility and opportunity to seek the most efficient deployment approach. We agree that this is the option that is most likely to deliver the accelerated installation programme that the Government is seeking. It is a complicated process to balance customer demands, meter age, resource availability, travel costs, etc. so it is helpful and sensible to avoid layering-in additional considerations until or unless the case is proven. Rapid completion of the rollout is an objective shared by both Government and suppliers, so it is reasonable to expect suppliers to seek the most effective ways of achieving that.

Pursuit of that objective could include lending support for locally-based initiatives, if these were proven through experience to improve access rates and left all appointments and planning with suppliers.

There is no easy definition of completion for an area: we can anticipate a reasonable number of hard-to-access sites, non-domestic business constraints and technical challenges that should not be allowed to delay progress for the vast majority of installations.

We note and understand the suggestion that, in the light of experience, Government may seek to direct the rollout through more specific targeting of certain customer groups or localities. We would like to retain control over our pattern of deployment however, as we believe that there will be certain additional costs for us if, for example, additional resources are required in certain areas. We would welcome, therefore, early notice of any candidates for prioritisation so that we have the opportunity to address these through our normal work allocation processes.

Suppliers will also be learning from experience during the early stages and can be expected to refine their appointment, communication and engagement processes to maximise productivity and minimise travel. That may include local co-ordination and work with trusted third parties. If it works suppliers will embrace it.

It is reasonable to expect suppliers to respond to requests for smart metering from or on behalf of vulnerable customers. It is incumbent on us all to resource the Programme to provide the capability to handle any such requests, whether vulnerable or not. If a clear benefit to a specific, readily-identifiable group is identified, we would expect this to be reflected in targets and for suppliers to respond. However, this would add complexity to the rollout, making planning more difficult and potentially increasing travel time, cost and time to rollout. At this time we do not believe that there is a case to provide smart meters for vulnerable customers earlier than any other group, but any ad-hoc request for installation or support will be planned in.

Other customers with special requirements – e.g. owners of electric vehicles, micro-generation, etc. – are generally low in volume and we think their requests for smart metering can be accommodated on-demand.

Q2: Would the same approach be appropriate for the non-domestic sector as for the domestic sector?

In general we think it is sensible to leave suppliers to schedule installations for non-domestic customers in the same way: some on-demand, with the remainder managed in the most efficient way possible. As is acknowledged, there will be some businesses where it is impractical to interrupt the energy supply during working hours so it is likely that this pool of customers will be managed as a discrete activity.

If there is no IHD fitted then we accept that the information provided to a non-domestic customer will differ, but the energy-saving opportunity could be significant. Discussion of energy efficiency opportunities will still be part of the installation process for smart meters for non-domestic customers.

Q3: Is there a case for special arrangements for smaller suppliers?

We are a large supplier so cannot comment on this. However, in principle the rollout regime that offers most flexibility to suppliers would appear to be suitable for all.

Q4: What is the best way to promote consumer engagement in smart metering? As part of broader efforts, do you believe that a national awareness campaign should be established for smart metering? If so, what do you believe should be its scope and what would be the best way to deliver it?

Consumer engagement is rightly identified as a critical success factor. It is a pre-requisite to gaining access, to a successful installation and to the on-going delivery of the IA. A successful installation is measured by so much more than adherence to technical standards: it is an opportunity to explain the 'why' as well as the 'what'. Without the attention of the customer (N.B., who must be present) the behavioural change, upon which much of the IA is reliant, will not be realised.

Our own experience and research confirms the view that customer awareness of smart metering is low. Therefore we see merit in a national awareness campaign to create some 'customer pull' and to, literally, open doors for suppliers. After that it is down to suppliers to win the attention and co-operation of the customer and to put the energy-saving message across effectively. All British Gas smart meter installers will be trained in Energy Efficiency to the equivalent of City and Guilds Standard 6176.

As regards to the 'best' way to promote consumer engagement, we believe it is through providing superb customer service at every 'touch point' in the installation process: from the initial contact, right through to the moment at which the fitter leaves the premises, and including any post-installation support. We want 'word of mouth' publicity to be positive, and we expect all our competitors to strive for something similar. A national awareness campaign should provide a helpful context but the real engagement begins when the supplier makes it personal and relevant.

Q5: How should a code of practice on providing customer information and support be developed and what mechanisms should be in place for updating it over time?

British Gas has already developed a customer charter that demonstrates our commitment to building customer confidence in smart meters. We are also supportive of an additional energy supplier Code of Practice that covers, for example, the installation process. This will stimulate broader industry-wide confidence in smart

metering.

A Code of Practice should set out minimum standards and scope, with room for competition to drive suppliers to exceed what is obligated.

It is important that suppliers are not constrained into providing a uniform, prescribed customer experience. We should each strive to deliver this better than our competitors. The quality of the energy efficiency advice and explanation of the metering equipment should not be defined by a script. We should also acknowledge that some differentiation will be achieved through additional, related and appropriate products and services. There has been some nervousness from Consumer Groups in this area, yet it would be almost irresponsible to avoid the subject of what additional steps could /should be taken to bring the energy efficiency of the UK's buildings up to an acceptable standard.

With a Programme with such a long duration it is pertinent to consider how it might evolve. British Gas holds no strong views on this but would expect account to be taken of data such as energy usage trends for different groups, customer research following an installation and some months later, customer complaints, etc. We agree, however, with the observation that the attribution of energy savings to smart metering is fraught with difficulty since so many other factors come into play.

Q6: Do you agree with the proposed obligation on suppliers to take all reasonable steps to install smart meters for their customers? How should a completed installation be defined?

In principle we support the simplicity of this obligation, subject to some caveats which are acknowledged in the Prospectus.

We agree that time is needed to develop technical solutions to certain installation challenges (tower blocks being an example) and would request any installation targets to take account of such issues. Through the AMO, MAMCOP, MOCOPA and, more recently, the Technical Issues Sub Group, some work has been progressed to develop solutions to known installation issues.

It is important that Network obligations to undertake required works are also acknowledged. British Gas has been actively engaged with the ENA in agreeing what actions are appropriate by Networks, and in what timescales, for the difficult installations that can be anticipated. We are also working with individual Network companies to develop processes (potentially for national application) as our in-house metering business becomes operational across the UK over the next year. There is also significant scope for rationalising the meter work accreditation schemes that network owners presently operate. Numerous inconsistent schemes are in place that create a burden on the provision of metering services and introduce additional complexities – such as for example restricting the flexibility of meter workers across DNO boundaries. A single accreditation regime should be introduced.

In addition to the technically difficult installations, there will be customers who refuse access and any targets will need to make allowance for such cases. The cost of serving customers with traditional meters will increase markedly as the density reduces and we do see a case, towards the end of the programme, for additional powers of access, such as for example, entry by warrant. It is likely by this time that the meters will be out of certification or due for replacement because of the age of the meter.

Suppliers may be forced to reflect the higher costs of operating low-density meter reading processes in special tariffs for customers refusing smart metering.

Q7: Do you think that there is a need for interim targets and, if so, at what frequency should they be set?

British Gas has led the call for an accelerated deployment of smart meters whilst others have been less enthusiastic. We have no objection to the principal of interim minimum installation targets, but are concerned that these could have unintended consequences and may snowball in to a mechanistic and burdensome regime.

Care needs to be taken to ensure that in setting interim targets, a supplier's ability to deploy to the most efficient glide-path for them and their consumers is considered.

Setting interim targets does create a risk of forcing deployment rates that are inefficient upon suppliers. Further, and we believe more significantly, there is a real risk that some suppliers – daunted by the prospect of targets – may resort to stalling the start of deployment. We would recommend that most focus is placed on the start and end dates for deployment with bare minimum interim target levels, set at a national level, not geographically or segmented by customer types. These targets must represent a minimum and not maximum deployment rate so that any such regime aids rather than suppresses deployment.

However we do believe that there is a real risk that not all energy suppliers fully embrace the phased implementation approach. This could result in some suppliers only installing small volumes of smart meters in the period preceding Full go live in 2013. If there are to be any interim targets, this is where sharpest focus should be placed. A minimum smart installation target prior to the implementation of the enduring solution in 2013 would ensure all energy suppliers fully embrace the phased implementation approach.

It is important to ensure that any targeting regime remains simple and that the associated reporting is not excessively burdensome. Otherwise unnecessary cost and risk could be introduced in to supplier programmes and this in itself could distract them from the key task of deploying smart meters. Any targets need to be set early and varied infrequently as suppliers and manufacturers need planning certainty.

There is a further risk that over-ambitious targets could result in a skew of focus on the quantity and not quality of installations, with consequent damage to the reputation of the whole industry. We are keen to ensure that we do not compromise the customer experience (and the reputation of the Smart Metering Programme) by hiring lower-quality meter workers who may be available on a temporary / short term basis. The programme must be wary of driving such an outcome.

It would not be difficult for suppliers to share workload plans with the DCC. It will be a requirement for confidence and budgeting on both sides. If it is determined that interim targets are required our preference would be for suppliers to set these themselves, through the sharing of plans with Ofgem that aim to achieve the required completion

date, and to report progress against them. Targets need to be agreed at a national level – not geographically or segmented by customer types.

Q8: Do you have any views on the form these targets should take and whether they should apply to all suppliers?

We think that a target based on a percentage of the customer base (adjusted annually) would be fair, provided a clear and agreed approach for gas-only installations is available. Since the point of interest is rate of deployment, the measure should simply be of the number of completed installations. The alternative would be to measure the proportion of a supplier's portfolio that is smart but, because of churn, this may be less reflective of effort.

As described in our answer to Q7 above, our preference is for the completion criteria to be set by the Programme and for suppliers to then draw up their own plans for achieving that and to report progress.

Q9: What rate of installation of smart meters is achievable and what implications would this have?

We have provided detailed and confidential information to Ofgem on this matter in response to their Open letter on Accelerating Smart Metering Deployment dated 7th September.

Q10: Do you have any evidence to show that there are benefits or challenges in prioritising particular consumer groups or meter types?

We agree with the conclusions in the Prospectus that there are no clear benefits in attempting to prioritise specific customer groups and potentially some significant challenges, particularly if the group to be targeted is defined subjectively. The targeting of certain customers would add complexity to the rollout, make planning more difficult, increase travel time between meter installations, increase cost, and extend the time to deploy

Some customer groups will be prioritised by suppliers, but these are likely to include those customers that Government and others may want to see prioritised anyway. For

example, hard-to-reach customers (where today's metering costs are greater) and high tenancy turnover properties (often in areas of poverty) both carry high costs for support and debt management. We agree that the unit cost to serve conventional prepayment customers will increase as the population decreases and that suppliers will be incentivised to complete that group of meter replacements in advance of the overall completion. This fits well with suggestions that these customers have strong claims for priority attention since there will be a service improvement from the increased range of payment options.

For the remaining customers, it is highly unlikely that any particular customer group would be 'left until last'. The existing regulatory obligations that require the replacement of meters as they reach the end of their life do not differentiate by customer type. Aged meters are randomly distributed and will drive around 50% of the meter replacements undertaken over the duration of the smart metering deployment. Further, the reduced costs derived from maximising geographical density and efficiency will again drive meter operators towards an area-by-area approach and will provide incentives to complete an area when the numbers of traditional meters fall to uneconomic levels.

Overall we are unconvinced that the complexity of introducing more target groups is justified. It would be costly to deliver, hard to monitor and has the potential to slow down the overall programme completion. Suppliers will respond to customer requests and pursue the most efficient path to completing the replacement of the UK's meters.

Q11: Do you agree with our proposed approach to requiring suppliers to report on progress with the smart meter rollout? What information should suppliers be obliged to report and how frequently?

The basic reporting outlined in the paper seems reasonable, but as the programme matures we see that much of the required information could be more effectively provided through the DCC.

We suggest that quarterly reporting, one month in arrears would be appropriate. We agree that the attribution of energy savings to smart metering is fraught with difficulty since many other factors come into play. Any monitoring on this is likely to be as a

result of, for example, an academic research project. It is not something that suppliers could reasonably be expected to cover in standard reporting.

Q12: Do you agree that there is already adequate protection in place dealing with onsite security or are there specific aspects that are not adequately addressed?

Overall, we agree that the existing protections are adequate but do have some concern that, on the back of a national awareness campaign, criminals could trick some customers into allowing them access to their homes.

We suggest therefore that any publicity material should remind customers of certain simple steps, such as refusing entry unless previously notified of the visit, checking ID, etc.

Q13: Do you agree with our proposal to require suppliers to develop a code of practice around the installation process? Are there any other aspects that should be included in this code of practice?

We recognise that there are concerns that the customer experience, during a smart meter installation, may fall short of the high standards that all stakeholders would wish for.

We welcome the proposal to set out in a Code of Practice reasonable expectations and minimum standards, since we believe that the reputation of the industry and this ambitious programme would benefit from the confidence boost that it should provide. We shall, of course, be keen to contribute to the detail of the Code and will be pleased to share what we have learned from the installations we have completed to date. British Gas has published its own Customer Charter for smart metering and we are confident that most of the content will be appropriate to a future Code of Practice for installation.

We would not want the Code to be overly prescriptive as we still see Supply competition as an opportunity for suppliers to strive to do more for their customers. We see the range and quality of additional, related products and services as an integral

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part of this and see it as important that the Code does not preclude customers from receiving information that may help them better to manage their energy usage. These conversations should be based on need (e.g. a new-build house will not need more insulation) and customer-led.