



Smart Metering Implementation Programme: Rollout Strategy

Citizens Advice response to
Ofgem

September 2010

Introduction

Citizens Advice welcomes the opportunity to respond to Ofgem's consultation on the rollout strategy for the smart metering implementation programme.

The Citizens Advice service is a network of almost 400 independent advice centres that provide free, impartial advice from more than 3,500 community locations in England, Wales and Northern Ireland.

In 2009/2010 the Citizens Advice service in England and Wales advised 2.1 million people on 7.1 million problems. Debt (2.4 million problems) and welfare benefits (2 million problems) were the two largest topics on which advice was given.

Of the 2.4 million debt problems, almost 110,000 related to fuel debt. This represented an increase of 33 per cent on the previous year. Many of these people experienced affordability problems, and would therefore stand to benefit from the installation of energy efficiency measures and information about their energy usage and how it could be reduced.

In addition, Citizens Advice Bureaux also dealt with over 52,000 problems about a range of other (non-debt) fuel matters. Problems about billing / meter reading represent the largest single category within this figure, amounting to more than 13,000 problems, equivalent to over 25 per cent of fuel problems.

Citizens Advice believes that smart meters provide an opportunity to empower consumers and inform them about their energy usage, potentially contributing to both lower bills and reduced carbon emissions. Furthermore, smart meters should herald an end to estimated billing, which can cause serious financial difficulties, especially for people on a very tight budget. Delivering these benefits to all consumers depends on getting the rollout strategy right – our comments in this submission are intended to help Ofgem achieve this.

Key points

Citizens Advice supports the proposal to universally roll out smart meters. We recommend that:

- The roll out should initially be supplier-led, but a second phase of area-based roll out should follow.
- The roll out should be publicised using a national awareness-raising campaign, complemented by more detailed and specific local campaigns which make use of local organisations such as Citizens Advice Bureaux.
- Suppliers must be obliged to abide by a strict code of practice for installation which includes aspects relating to the pre- and post-installation phases as well as the installation itself.
- Targets (including interim targets) must be set and suppliers must report on progress to ensure that the roll out is conducted in a manner that is fair to all consumers.
- Suppliers must take all reasonable steps to ensure that every household receives a smart meter.

Responses to specific questions

Question 1: 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?

Citizens Advice is broadly supportive of the approach proposed by Ofgem. If suppliers have flexibility over the pattern of installations during the first phase of the rollout, then the early adopters, who actively want a smart meter and are more likely to engage closely with the process, will be the first to receive them. Should any initial problems emerge, therefore, those using the new meters are likely to be those most willing and able to communicate with suppliers and ensure that problems are resolved. During this phase people needing replacement meters should also receive smart meters and new build properties should be fitted with smart meters as a matter of course.

Once this first phase is completed, however, we believe it is important not to simply continue on a supplier-led basis. We believe that the best way of conducting the second phase of roll out would be on an area-by area basis. There are several reasons for this. Firstly we believe that it would avoid the danger of particularly hard to reach or vulnerable customers receiving their new meters last. Secondly we believe it would assist consumer awareness, understanding and acceptance of smart meters if everyone in their local area is to receive one at around the same time. Furthermore it would make it more likely that individual customers could seek help through informal channels, such as receiving advice and support from friends, relatives or neighbours who would themselves have recently received or be soon to receive a smart meter, as well as more established sources of information such as Citizens Advice Bureaux. In addition an area-based approach might bring cost savings to suppliers and to government as resources could be focused, not only allowing closer coordination with local groups, but also enabling directed media campaigns. During this second phase, households needing replacement meters, new builds and individuals who specifically request a smart meter should continue to be provided with smart meters even if they do not live within an area that is scheduled for roll out.

The danger of allowing a fully supplier-led roll out is that customers who are hard to reach – whether because of social, economic or geographic circumstances – may be left until the very end of the roll out. If smart meters are to be of benefit to consumers, then these benefits must be fairly distributed. However, we would not suggest an approach that specifically targeted hard to reach or vulnerable consumers first because these consumers may find it more difficult to deal with any problems or unanticipated outcomes of having a smart meter installed. It would therefore be prudent to allow early adopters to ‘test’ the benefits. In addition, targeting the roll out towards disadvantaged consumers could potentially give the erroneous impression that smart meters are a targeted rather than universal initiative. By carefully using an area based approach these difficulties can be minimised. It would be necessary to design the area plan so that suppliers could not pick and choose within an area, for example focusing on town centres rather than surrounding rural areas. Should this approach be adopted, careful consideration must be given to how areas would be defined (perhaps super output areas (SOAs) could be used to divide up larger areas), the order in which they would receive the smart meters and how targets would be applied.

Question 2: Would the same approach be appropriate for the non-domestic sector as for the domestic sector?

Citizens Advice has no comments to make in response to this question.

Question 3: Is there a case for special arrangements for smaller suppliers?

Citizens Advice sees no reason why there should be any special arrangements for smaller suppliers, whether the Government goes ahead an entirely supplier-led roll out, or implements an area-based programme as we have suggested.

Question 4: 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?

Citizens Advice believes that a national awareness raising campaign would be a sensible method of promoting consumer engagement in smart metering. Initially people may be resistant to receiving a new meter; they may regard it as an unnecessary disruption or intrusion into their homes and may simply not understand the potential benefits. There is also evidence to suggest that it can take a significant period for messages to reach more marginalized groups - for example, despite a prolonged period of market liberalisation and frequent marketing activity to encourage switching energy supplier, many people have a low awareness and understanding of the switching process. According to the evaluation of the *Energy Best Deal* rollout,¹ prior to attending an information session, 15 per cent of consumers were not aware that they could change their energy supplier and of those who were aware that switching was possible, 32 per cent were not aware how to go about it (p.9). It is important, therefore, not to overestimate consumer knowledge and understanding of smart meters, and to seek to raise overall levels of awareness through activities such as a national marketing campaign.

Consumer resistance may be minimised by ensuring that as many people as possible are aware of what a smart meter is, the benefits it can bring to them and the fact that the roll out is both nationwide and 'mandatory'. We are inclined to support an independent national awareness campaign as opposed to a co-ordinated campaign delivered by individual suppliers, although supplier marketing could be carried out alongside the national promotions. Producing television, radio and print media advertisements along the lines of the digital switchover campaign would seem to be a reasonable method of delivering the campaign.

We believe that local campaigns must be run alongside a national campaign and information provision would obviously need to intensify in particular areas when their roll out is approaching (in line with our proposals in relation to area-based delivery). Locally specific campaigns would be able to build on the national messages and provide more detail. Like the national campaign, local campaigns could use advertisements but they could also utilise the local knowledge of organisations such as Citizens Advice Bureaux which could:

- Disseminate information about smart meters and the roll out programme online, in hard copy and by holding information sessions;
- Provide advice, help people to apply for any sources of help which may be available, and give reassurance to people who have concerns about the programme;
- Link the smart meter roll out to other energy efficiency and affordability measures, for example by publicising the Green Deal and suppliers' social tariffs, or by promoting the benefits of switching supplier, changing payment method etc;

¹ Centre for Sustainable Energy (2009) *Energy Best Deal: Evaluation of the national roll-out, final report June 2009*

Question 5: 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?

We believe that stakeholder input is vital to developing and updating a code of practice, and regular stakeholder group meetings should be held to do this, beginning in advance of the roll out and continuing throughout to deal with any emerging difficulties that should perhaps be covered in the code. The code must cover all aspects of the roll out including information or other services provided in advance, the installations themselves, and post installation support and feedback.

In September 2010, Consumer Focus convened a workshop of consumer groups in order to produce a draft supplier code of practice covering pre-installation, installation and post-installation. Citizens Advice participated in this and we support the implementation of a code based on the draft document. We understand that Consumer Focus will be submitting the document to Ofgem as part of their response to this consultation and we therefore have not included all of the many points covered in it here.

We believe a supplier code of practice must be robust and backed up by sanctions if suppliers fail to adhere to it. The provision of smart meters is not an issue for competition; customers are already receiving a service from their supplier and it seems a very remote possibility that anyone would make a decision to switch supplier based on the level of service provided when installing smart meter. Furthermore smart meters themselves are being imposed upon consumers. The bar for suppliers must therefore be set high. We suggest that consideration is given to prescribing follow-up visits in order to deal with any emerging concerns consumers might have once they have started using their new meters and to ensure that consumers are using their meters as effectively as possible. The cost implications of this should not be too onerous for suppliers as presumably there would still be long term cost savings compared to regular, ongoing visits to read meters.

It is imperative that information is provided in a range of clear and easily understandable formats. The roll out of smart meter installation will involve a lot of technical issues and it is important that the terminology used is accessible to the general public. It is not only necessary to ensure that pre-installation marketing and advice, and post-installation support is delivered in an appropriate manner, but installers must have the skills to communicate appropriately with customers during the installation process, especially if they have questions about the process of the workings of the meter.

We have grave concerns about the possibility of suppliers using the opportunity afforded by the installation process to sell new products or services to their customers. Such activities may undermine the entire smart meter programme so it is important to ensure that there are strict guidelines about what suppliers may and may not do. We suggest that suppliers may leave information or follow up the installation with further contact about energy efficiency services only if the customer explicitly consents. However, there should be no direct selling as part of the installation roll out, and pressure selling tactics, such as telling customers about an offer that they must sign up to then and there, should be expressly prohibited.

Question 6: 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?

Citizens Advice agrees that suppliers should be obliged to take all reasonable steps to install smart meters for all their customers, and that a reasonable steps test should be established. However, where there are customers who are unable to receive a smart meter for reasons that are outside their

control, then suppliers must take steps to ensure that any disadvantage to these customers is minimised. While it may not be possible for these customers to obtain all the potential benefits potentially brought by smart meters and better management of their energy consumption, they could and should benefit from an end to estimated bills. We believe that suppliers should therefore be obliged to commit to regular meter readings where customers are unable to receive a smart meter for reasons other than their own refusal. We would suggest that these customers' meters should be read once a quarter. Where smart meter installation is not possible initially, it is important that the possibility of installing one in future, should the circumstances change, remains. For example if an individual refuses a smart meter, but then a new occupier moves in to the property, the supplier should offer a new smart meter to the new customer when they make first contact.

Citizens Advice agrees that the definition of a completed installation should refer to a customer using a smart meter, with an active home area network and wide area network link and that the customer has received appropriate information and support. However, we believe that post-installation information and support must be included in the setting of any target. We therefore suggest a two tier system of targets in which suppliers must achieve a certain proportion of completed installations within a given area and a given time, but then that every completed installation must be 'finalised' or 'confirmed' by the provision of a follow up contact within a certain period following the installation itself. This would help to ensure that the meter and networks were functioning correctly, but also that the customer was confident in understanding how the smart meter(s) and IHD worked.

Question 7: Do you think that there is a need for interim targets and, if so, at what frequency should they be set?

Citizens Advice believes that there is a need for interim targets. As stated above, after the initial phase, we support an area based roll out. We would therefore suggest that final targets should be set at a regional level but within each region interim targets should be set for smaller areas. We suggest that regions should be sub-divided to ensure that certain areas are not marginalised; SOAs might provide a suitable level of division. If targets are set for larger areas only, then we are concerned that more difficult to reach areas or indeed households, such as those in rural areas or deprived urban housing estates might be disadvantaged. Rural consumers are already often at a disadvantage when accessing energy or communications technology and it is important not to carry this over into smart metering. Similarly consumers who live in large tower blocks, where access or co-ordination with other suppliers may be difficult, may already experience social and economic disadvantage and may have the most to gain from accurate fuel bills. A programme of clear, area based targets is necessary to ensure fairness in the roll out. Targets must be sufficiently frequent to ensure that problems are picked up and dealt with quickly.

Question 8: Do you have any views on the form these targets should take and whether they should apply to all suppliers?

As we have already stated, the targets should be set on an area-by-area basis with targets set for small areas within regions. We would suggest that targets could be set for certain proportions of households to receive a completed and 'finalised' or 'confirmed' installation by a certain date. Several targets could be set for each small area with the proportions increasing gradually up to 100 percent (i.e. reasonable steps (as centrally defined) taken to install meters in 100 percent of households). We see no reason why these targets should not apply to all suppliers.

Question 9: What rate of installation of smart meters is achievable and what implications would this have?

Citizens Advice has no comments to make in response to this question

Question 10: Do you have any evidence to show that there are benefits or challenges in prioritising particular consumer groups or meter types?

On balance, Citizens Advice is not persuaded that particular consumer groups should be prioritized in terms of receiving a smart meter. Certain consumers, such as those on low incomes, might have more to gain from receiving the more accurate bills or the range of new tariffs which may be offered through smart metering, and there could therefore be an argument to be made for prioritising these customers. However, it is also the case that these consumers are also likely to be least able to reduce their energy consumption and therefore from the perspective of energy efficiency and carbon reduction, there are fewer gains to be made in prioritising these clients. In addition there is some danger that prioritising certain groups of client could impede awareness that smart metering is to be universal and focusing on disadvantaged groups could result in a perception of stigma. However, it is imperative that these customers are not left behind; this is why we advocate a community-based approach, perhaps based on SOAs

There could be some benefit in prioritising people who have pre-payment meters as we understand that smart metering would enable them to benefit from a wider range of payment options. However, it is unclear to us how smart metering will reduce their tariffs as is claimed in the consultation document. We understand that the rationale for charging a higher tariff is the additional cost required to provide a network of outlets at which consumers can charge their meter keys. While smart metering will open up further payment options, presumably it is not intended that the existing network will be radically reduced in size as this would risk seriously disadvantaging people who would find it difficult to make use of the new options. Given this, we are unsure how such cost savings might be achieved.

Customers in fuel poverty could benefit from better information about their energy consumption, however identifying people who are in fuel poverty would be very difficult. Where advice agencies and other organisations work with people who they consider to be in fuel poverty and who may stand to benefit from the early adoption of a smart meter, they should be encouraged to apply on their behalf. Again, therefore, this is why we believe that an area based approach which ensures that all consumers are treated fairly and not left behind is the best option.

Question 11: 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?

Citizens Advice supports the proposal to require suppliers to report on progress. If an area based programme of targets for installations and post-installation support were set, then suppliers would obviously have to report on how they were meeting these targets. This should include the number of cases where they were unable to complete an installation and the reason(s) for this. We suggest that suppliers should also be required to report on how they are complying with the code of practice, for example by providing information on levels of customer satisfaction, or reporting the percentages of cases in which they kept to code requirements such as, for example, arriving within the time window specified. Frequency of reporting would depend on the exact targets set and the specific issues covered in the code of practice; however, it seems likely that expecting quarterly reporting would not be unreasonable.

Question 12: 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?

Citizens Advice is concerned that unless stringent measures are put in place, there could be significant opportunities for scammers and fraudsters to target consumers in ways related to the rollout. Although there are already existing protections in place in statute and licence, and we support the intention to include additional measures within the proposed supplier code of practice, Consumer Focus' draft code of practice, which has been submitted in response to this consultation and is supported by Citizens Advice (see our response to question 13 below) gives many further suggestions about the types of measures that should be included in order to address onsite security.

In addition, we suggest that the awareness raising campaign(s) and any specific marketing information provided to consumers in advance of their meter replacement must include information on how to tell if a visitor or caller is genuine. For example, it is important to make people aware that any genuine smart meter installer will attend by appointment (if this is included within the code, which we believe it should be), they will provide proof of their identity and they will not charge anything. There must also be a clear method of verifying whether or not a visitor or caller is genuine.

It would also be worth considering giving all consumers the option not only to have a password but also the option to have another person such as a friend or relative present during the installation visit.

Question 13: 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?

Citizens Advice believes it is essential to develop a code of practice to ensure adequate consumer protection during the installation process (and the post-installation process), and we support the proposal to tie this code to supply licence conditions. However, clarification of exactly what this would entail is necessary: Citizens Advice believes that breaches of the code of practice must result in enforcement action by Ofgem.

We receive evidence from Citizens Advice Bureaux (CABs) about the difficulties faced by some customers during and after installation of Warm Front services. We are concerned that similar problems must be prevented in the roll out of smart meters.

A CAB in the East Midlands reported the case of a woman who had long term health problems and received a Warm Front grant for a new boiler. In addition to the grant, she had to pay £400 towards the cost of the boiler herself. There were problems with the boiler from the outset, resulting in the early replacement of a part and following its second annual service, a further problem was noted but the engineer claimed to have repaired it. The following day the woman's heating and hot water stopped working. A second engineer confirmed that there was a problem due to faulty installation and he would report this to Warm Front. When she telephoned Warm Front a few days later, she was promised someone would get back to her the following week. However, she visited the bureau the following week, having heard nothing and still with no heating or hot water. She wanted to know who was liable for the repairs. Warm Front confirmed that the boiler was still under their two year guarantee, but they had to check who was responsible for the repair and said it could take several weeks. If the woman were to get the boiler fixed herself, she would not be refunded with the cost of repair. It was suggested by Warm Front that the client could write to them explaining her difficulties ('if she

can be bothered to send in a letter') and then they might be able to prioritise the repair, due to the large number of people in a similar situation.

Another CAB in the East Midlands reported that they had also seen a woman whose boiler had not been correctly installed by Warm Front contracted engineers. Following installation she was told her boiler was unsafe and remedial work was needed. The adviser noted that these sorts of problems were not uncommon, with boilers not fully checked following installation and work not fully completed.

A CAB in Berkshire saw a woman who had received a new boiler and a central heating upgrade through the Warm Front scheme. However, the survey did not pick up that the water pressure of the existing system was too high for the new system and following installation a water pipe burst, causing considerable water damage to the property.

A strict code of practice, together with detailed compliance monitoring and enforcement measures, is therefore essential and, as stated above, Citizens Advice has contributed to and is supportive of the draft code of practice compiled by Consumer Focus.

Additional comments

Billing

Citizens Advice is concerned about the impact on consumers of the discovery of meter or billing errors. This impact will be particularly keenly felt by consumers who are on low incomes, for whom an unexpected increase in their fuel bill could cause significant hardship. In addition, a failure to deal with billing errors appropriately may lead to the development of bad feeling towards smart meters and may increase consumer resistance to the roll out.

It is important not only that suppliers abide by the Energy Retail Association's *Code of practice for accurate bills* which requires them not to back-bill consumers beyond 12 months from the date of the revised bill where they are at fault, but also that customers are explicitly made aware of the existence of the code. In cases reported to bureaux where energy suppliers attempt to recover money owed from several years ago, they can fail to make reference to the code of practice.

A CAB in the North East of England reported that their client had received a bill from her energy supplier for £122. The bill dated from three years previously and she was told that the money would be taken off her pre-payment meter at a rate of £5 per week. The client was in poor health and was unable to work, she was dependent on benefit income and was already struggling financially. She was very worried and upset about how she would be able to afford the extra payments and the adviser was concerned that she would be unable to use the electricity she needed in the winter.

We also believe that the code of practice should require suppliers to provide basic information about sources of assistance such as the social fund or charitable grants where the installation of a smart meter may uncover debt and lead to customers being required to unexpectedly increase their payments. Suppliers should also provide this information where they identify a customer as vulnerable even if there will be no change in their payment. We believe that the installation code of practice should set out how suppliers should deal with billing errors (referring to the *Code of practice for accurate bills*) and we suggest that this could include a limit below which underpayments would be

written off, in the same way that the Government has recently announced that underpayments uncovered through their reconciliation process for Pay As You Earn (PAYE) for amounts under £300 will be written off. It should also include guidelines about how to appropriately determine how quickly a customer could be expected to pay off an underpayment, and this should also take into account the need to ensure that any repayments are on an affordable basis to the customer.

Vulnerable consumers

We are supportive of the proposal to ensure that vulnerable consumers receive additional support and recognise that this aspect of the strategy will need further consideration. We suggest that this support should include access to a rapid response team for dealing with difficulties, and the roll out could possibly provide a good opportunity for suppliers to update their priority services registers.

During the installation roll out it is likely that some households will be found to be in a poor state of repair with insufficient insulation which may cause hardship and restrict the potential benefits of a smart meter. Ofgem must give some consideration to how this should be dealt with, particularly (but not exclusively) in cases where a vulnerable person lives in the house. It may be that information could be provided, for example on a landlord's responsibility to adequately maintain a property, or customers could be directed to independent sources of advice and assistance, such as Citizens Advice Bureaux.

Security

When considering the issue of security it is important that attention is given to data security as well as on-site security. Information from smart meters could be very valuable to companies for targeted marketing and data about patterns of use could indicate when a house is empty and so data could also be of use to criminals. It is vital therefore, to ensure that the data is secure and that customers are reassured of its security. This same data will also be very helpful to consumers as it will enable them to understand their energy consumption and also can be used to inform the advice they receive on fuel efficiency and suitable tariffs. Consideration must be given to the methods by which such information and advice is provided to ensure that this is as effective as possible.

