

Response to Ofgem – Smart Metering Implementation Programme – Prospectus



Suite 4a
Ingram House
227 Ingram Street
Glasgow G1 1DA
Tel: 0141-226 3064
Fax: 0141-221 2788
Email: eas@eas.org.uk
www.eas.org.uk

Introduction

Energy Action Scotland (EAS) is the Scottish charity with the remit of ending fuel poverty. EAS has been working with this remit since its inception in 1983 and has campaigned on the issue of fuel poverty and delivered many practical and research projects to tackle the problems of cold, damp homes. EAS works with both the Scottish and the UK Governments on energy efficiency programme design and implementation.

EAS welcomes the opportunity to respond to this consultation.

Fuel Poverty in Scotland

The Scottish Government is required by the Housing (Scotland) Act 2001 to end fuel poverty, as far as is practicable, by 2016 and plans to do this are set out in the Scottish Fuel Poverty Statement. The number of Scottish households living in fuel poverty dropped from 756,000 (35.6%) in 1996 to 293,000 (13.4%) in 2002. Half the reduction was due to increases in household income, 35% to reduced fuel prices and 15% to improve energy efficiency of housing¹. The most recent figures² from the Scottish House Condition Survey in Key Findings Report show that there were 586,000 households living in fuel poverty in Scotland in 2008, representing 27% of the total.

According to figures produced by the Scottish Government³ early in 2008, for every 1% rise in fuel prices an estimated 8,000 more households would go into fuel poverty. Based on these figures EAS estimates that there are currently 850,000 households, around one in three, in fuel poverty in Scotland. This significant increase in fuel poverty is widely accepted to be due to the dramatic increases in domestic fuel prices and EAS is very concerned about the impact on vulnerable customers.

General

Energy Action Scotland (EAS) is primarily concerned about the aspects of metering that relate to vulnerable and fuel poor consumers and this response concentrates on the elements of the prospectus that are most likely to have an impact on these consumers.

Question 1: Do you have any comments on the proposed minimum functional requirements and arrangements for provision of the in-home display device?

Whilst more visual mediums, such as ambient feedback, offer an alternative to numerical data, there are significant drawbacks that must be taken into consideration. Ofgem indicates that the risk of rationing by vulnerable consumers 'may be reduced by reviewing the settings for different ambient feedback levels'. Whilst this might in theory provide a more meaningful indicator, many vulnerable and fuel poor consumers already limit their energy use and don't heat their homes to a level that supports their health and wellbeing. EAS would doubt that any single organisation is sufficiently 'qualified' to conduct such a review. Accordingly, EAS believes that visual displays should not incorporate specific indicators of high or low consumption.

¹ Fuel Poverty in Scotland: Further Analysis of the Scottish Housing Condition survey 2002

² Revised Scottish House Condition Scotland Key Findings Report 2008

³ Estimate of Fuel Poverty Households in Scotland: Scottish House Condition Survey March 2008

EAS is disappointed that Ofgem has not been more specific with regards to the 'expectation' that installers should respect consumer preferences re IHD positioning.

Where consumers have two fuel suppliers, EAS believes that information must be clear and specific for both fuels, otherwise clarity regarding impact of consumption will be less easily understood.

EAS firmly believes that the arrangements for provision of IHDs must include detailed obligations regarding support mechanisms i.e. tailored advice for consumers.

Question 2: Do you have any comments on our overall approach to data privacy?

EAS supports Ofgem's principle that consumers should control who has access to their consumption data and the use to which it is put.

EAS is disappointed that Ofgem has not made more progress in establishing a Data Communications Company, given that this will provide the infrastructure and connection service to all suppliers.

However, consumer control is only relevant if consumers are provided with detailed information about data use, data storage, data sharing and data access.

EAS recommends that the Privacy and Security Advisory Group should include representation from an organisation whose key interest is the rights of individual consumers. This approach would provide a better fit with the programmes objective of balancing protection of individual privacy and wider public interest.

Question 4: Have we identified the full range of consumer protection issues related to remote disconnection and switching to prepayment?

EAS does not believe that Ofgem has identified the full range of issues. Further, EAS believes that Ofgem is aware that this is the case, otherwise it would already have published its interim guidance (on the 'application of current licence conditions relating to remote switching to prepayment mode and remote disconnection'). Ofgem has stated that it intends to review whether existing licence protections are sufficient to protect consumers. Until such a review has been conducted, EAS does not consider that the full range of issues has been taken into consideration.

Question 8: Do you have any comments on the proposals that energy suppliers should be responsible for purchasing, installing and, where appropriate, maintaining all customer premises equipment?

Ofgem states that 'the competitive energy supply market acts as a price restraint on suppliers and creates incentives on them to deliver, and charge for, smart metering in a way that minimises costs to consumers and offers them best value for money'. Ofgem expects that the costs of smart metering, less any associated savings, to be recovered from consumers.

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EAS believes that Ofgem's proposals for energy supplier's responsibilities (purchase, installation and maintenance) are appropriate as far as they go. However, EAS is concerned that consumers are expected to bear the costs of this programme without any full analysis of costs and benefits having been provided. Any pass-through costs must be made clear, and the savings made by suppliers in implementing the programme must also be quantified. EAS also believes that there should be some quantification of 'depreciation' i.e. over what period of time will consumers have to pay for the initial costs of the smart metering roll-out? When can consumers expect to see a reduction? If suppliers are sanctioned to recover programme costs via consumers, EAS assumes that the costs will differ from supplier to supplier. If that is the case, will consumers be made aware of potentially higher pass-through costs when considering switching?

Question 9: Do you have any comments on the proposal that the scope of the activities of the central data and communications function should be limited initially to those functions that are essential for the effective transfer of smart metering data, such as data access and scheduled data retrieval?

EAS supports this proposal in principle, but believes that greater clarity is required with regards to data access/retrieval – who, what, why, etc.

Question 10: Do you have any comments on the proposal to establish DCC as a procurement and contract management entity that will procure communications and data services competitively.

No comment.

Question 11: Do you have any comments on the proposed approach for establishing DCC (through a licence awarded through a competitive licence application process with DCC then subject also to the new Smart Energy Code)?

No comment.

Question 12: Does the proposal that suppliers of smaller, non-domestic customers should not be obliged to use DCC services but may elect to use them cause any substantive problems?

No comment.

Question 13: Do you agree with the proposal for a Smart Energy Code to govern the operation of smart metering?

EAS agrees in principle with the proposal to introduce a Smart Energy Code.

Question 14: Have we identified all the wider impacts of smart metering on the energy sector?

No Comment

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Question 15: Is there anything further we need to be doing in terms of our ensuring the security of the smart metering system?

EAS believes that consultation must be on going and that the needs and rights of consumers (particularly vulnerable and fuel poor) must be given full and continuing consideration.

Additional

EAS believes that SLCs and Standards of Conduct may have to change to accommodate the smart metering programme/proposals.

- Ofgem's Standards of Conduct require that 'no consumer should be offered a tariff that is inappropriate for their circumstances'. EAS has concerns regarding strict supplier adherence to this with the advent of smart metering, tariff innovation, etc. EAS further believes that this standard must be reviewed/amended to state that no consumer will be offered a payment method that is inappropriate for their circumstances. In particular, this standard must be applied to remote changes to payment methods (prepayment).
- EAS welcomes Ofgem's intention to control 'selling' activities, but believes that SLC 25 must be reviewed in line with the 'easier switching' aspects of smart metering.