



Federation of Small Businesses
The UK's Leading Business Organisation

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OFGEM

9 Millbank

London SW1P 3GE

October 2010

Dear Madam,

RE: Smart Metering Implementation Programme: Non-domestic sector

The Federation of Small Businesses (FSB) welcomes the opportunity to respond to the above named consultation.

The FSB is the UK's leading business organisation. It exists to protect and promote the interests of the self-employed and all those who run their own business. The FSB is non-party political, and with 213,000 members, it is also the largest organisation representing small and medium sized businesses in the UK.

Small businesses make up 99.3 per cent of all businesses in the UK, and make a huge contribution to the UK economy. They contribute 51 percent of the GDP and employ 58 per cent of the private sector workforce.

We trust that you will find our comments helpful and that they will be taken into consideration.

Yours sincerely,

[Redacted signature]

[Redacted name]

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FSB response to Smart Metering Implementation Programme: Non-domestic sector

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Executive Summary

The forthcoming roll out of smart metering in the UK presents small businesses with an opportunity to reduce carbon emissions whilst at the same time realising real cost savings through increased energy efficiency.

The rollout of smart metering is a once in a lifetime chance to improve customer interface with suppliers and to help meet the energy challenges of the 21st century.

The roll out is crucial in how the UK is positioned to reap the rewards of increased energy efficiency and the move to a low carbon economy over the coming decades. It is therefore imperative that the right decisions are made now.

The FSB believes there are two key approaches to the roll out of smart metering in the non-domestic sector that should underpin Government thinking, and the resulting legislation, in relation to smart metering:

- The overriding assumption should be to **mandate maximum interoperability** so that any future development of new technologies has the greatest chance of being able to be integrated into smart metering and ease the ability to change suppliers. Anything less would stunt the business communities ability to play their part in combating climate change and enjoying the economic benefits the energy efficiency development of green technologies have to offer.
- Another overriding assumption should be to ensure **easy and free access to energy consumption data** in the non-domestic sector. Smart meters themselves don't increase energy efficiency – it is the people who use them who do – only with free and easy access will the potential benefits of smart metering be realised and maximised.

Who benefits?

Smart metering offers the consumer the ability to take control of their energy use by giving them access to real time information about their energy consumption. This allows them to make informed decisions about how and when they use their energy. Further to this, the smart meters of the future will interact with a small business' appliances and equipment, where feasible, by providing real time tariff energy prices which allows them to be set so that they only work if the energy price is below a cut off figure specified by the consumer.

The potential of smart metering to allow small businesses to take control of their energy consumption is huge. It is essential that the rollout of smart metering ensures that the necessary features are put in place to allow small business consumers to enjoy the full benefits of a competitive energy market whilst at the same time enjoying the cost savings from increased energy efficiency.

However, at present, it is widely thought that the real beneficiaries of the smart meter rollout will be the energy suppliers. Whilst the FSB is fully supportive of the introduction of smart meters we have serious concerns that the six big energy companies are, at present, likely to be the main beneficiaries and that if the wrong decisions are made about the nature of the smart meter rollout small businesses will not be able to enjoy the full benefits of becoming more energy efficient.

Potential benefits to energy suppliers include:

- elimination of manual meter reading costs



- reduction of costs to service customers. For example, debt management, prepayment/credit payment changes are cheaper to implement with a smart meter
- remote disconnection and connection of supply
- on-demand meter readings

The Government is currently considering what principles should underlie the rollout of smart meters in the non-domestic market and the FSB is calling for the following recommendations and principles to be adopted.

A competitive smart meter market

The smart meter rollout for small businesses should broadly mirror that of the domestic rollout, which has largely been decided upon, and has strong safeguards to ensure that domestic consumers can benefit from competitiveness within the market.

It is essential that small business customers should remain free to switch suppliers when they wish and not get locked into using certain suppliers due to the lack of meter interoperability. For example, they should be able switch to those who offer innovative metering, good service and competitive prices.

Question 4: Do you agree with the proposed approach that use of DCC should be optional for non-domestic participants in the sector?

The FSB strongly opposes an optional approach to the use of DCC in the non-domestic sector.

Interoperability is generally considered to be crucial to the success of smart metering. Common standards are needed to ensure that customers with smart meters can switch supplier without having to change their meter. It also means that suppliers will not face technical barriers to interact with smart meters installed by their competitors. Interoperability can be brought about by voluntary agreements on standards or proposing supplier licence changes. The FSB strongly opposes voluntary standards, on the basis that they will not guarantee interoperability for all customers.

The FSB strongly supports the interoperability of different meters to allow small business consumers to switch suppliers without having to change meters. In order to ensure the ease of switching suppliers the FSB advocates the mandated storing, coordination and processing of data from smart meters to be administered by a central communications body that is independent of the energy suppliers.

The problems faced by small businesses in the energy market have been addressed in part by their recent inclusion in the gas and electricity redress schemes and OFGEM's Energy Supply Probe. However, we consider that it will take some time before the energy market changes and small businesses are treated fairly and we believe there is scope for a widening of OFGEM's definition of a 'micro' business (currently defined as a business that consumes less than 200,000 kWh of gas a year, or consumes less than 55,000 kWh of electricity a year, or has fewer than ten employees (or their full-time equivalent) and an annual turnover or annual balance sheet total not exceeding €2m).

The FSB conducted a snap poll last year to assess satisfaction levels with their gas and electricity supplier. The poll went to 23 000 FSB members, 1063 members from a range of sectors responded: 57% had lodged a complaint against their gas and electricity supplier compared to 43% who had not. 51% of those who had lodged a complaint had considered it was dealt with satisfactorily whereas 49% said the problem had not been resolved to their satisfaction. Out of 5 possible reasons for complaints, 46% cited billing problems, 24% switching supplier, 21% inaccurate meter reading and 9% customer service.



For too long small businesses have suffered at the hands of the six big energy companies and it is essential that the smart meter rollout ensures sufficient competitiveness in the energy markets for small businesses.

The rollout should also ensure full interoperability with small scale renewable technologies. Meters will be needed to measure each of the three energy flows (generation, import and export). It is therefore vital that the rollout of smart meters facilitates the uptake of small scale renewable energy generation through the ease of interoperability with such technologies.

Further consideration should be given to the mandated use of DCC by energy suppliers in light of the Government's plans for a non-domestic green deal. The proposed non-domestic green deal will work by a provider covering the upfront cost of building fabric energy efficiency upgrades based on an independent assessment calculating how much energy could be saved, with repayments done on a 'pay as you save' basis. Current energy suppliers are likely to be some of the main non-domestic green deal providers. If the proposed energy savings do not materialise it is essential that small businesses have access to independently collated energy consumption data in order to pursue proper recourse against the provider. We also believe that safeguards should be put in place to ensure businesses who choose to take up a non-domestic green deal, which is supplied by an energy company, should remain free to switch supplier if they choose.

Question 9: What steps are needed to ensure that customers can access their data, and should the level of data provision and the means through which it is provided to individual customers or premises be a matter for contract between the customer and the supplier or should minimum requirements be put in place?

The overriding assumption should be to ensure easy and free access to energy consumption data in the non-domestic sector. Smart meters themselves don't increase energy efficiency – it is the people who use them who do – only with free and easy access will the potential benefits of smart metering be realised and maximised.

We therefore strongly believe that access to energy consumption data should not be left to matter of contract between customer and supplier. The provision of free access, online and in written format, should be mandated to ensure the maximum energy efficiency and cost saving benefits.

Question 11: Is the proposed approach to rollout (for example in terms of targets and a requirement for an installation code of practice) appropriate for the non-domestic sector?

The FSB fully supports the proposal for an installation code of practice but believes consideration also needs to be given to providing training to maximise the benefits of smart metering.

The most obvious deficiency in the current plans for the smart meter rollout is the lack of provision for training for small businesses to maximise the potential benefits of using smart meters. This is concerning given that the energy suppliers themselves are likely to benefit most from the rollout and it appears that it will be the consumer who bears the cost. Consideration should be given to a more fair distribution of how the cost of the meters is met between consumer, supplier and the network provider.

The FSB calls for the inclusion of free 'smart meter use' training or advice to compliment the rollout.



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It is also essential that the use of smart meters is factored into any forthcoming Government energy efficiency campaigns.

For further information



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