

Consultation response

Margaret Coaster
Smart Metering Team Ofgem E-Serve
9 Millbank
London
SW1P 3GE

DATE: 28 September 2010
TO: Margaret Coaster

WHICH? RESPONSE TO OFGEM AND DECC SMART METERING IMPLEMENTATION PROGRAMME CONSULTATIONS

INTRODUCTION

- 1 Which? is an independent, not-for-profit consumer organisation with around 700,000 members and is the largest consumer organisation in Europe. Which? is independent of Government and industry, and is funded through the sale of Which? consumer magazines, and books.
- 2 This document contains Which?'s response to the following consultations:
 - > Smart Metering Implementation Programme: Prospectus¹
 - > Smart Metering Implementation Programme: Roll out strategy²
 - > Smart Metering Implementation Programme: Implementation strategy³

¹ <http://www.decc.gov.uk/assets/decc/Consultations/smart-meter-imp-prospectus/220-smart-metering-prospectus-condoc.pdf>

² <http://www.decc.gov.uk/assets/decc/Consultations/smart-meter-imp-prospectus/228-smart-metering-imp-rollout-strat.pdf>

³ <http://www.decc.gov.uk/assets/decc/Consultations/smart-meter-imp-prospectus/234-smart-metering-imp-strat.pdf>

SMART METETERING IMPLEMENTATION PROGRAMME: PROSPECTUS

The Consumer Experience

Supporting consumer interest

- 3 Paragraph 2.26 sets out that should a consumer wish to receive a smart meter and their supplier is unable to meet their request, that the consumer will then be able to switch to a supplier that can⁴. There is a need for clarification regarding whether all consumers regardless of their tariff (e.g. fixed term) will be able to switch, whether the consumer will be subject to any penalty and which license conditions will underpin this.

Code of Practice

- 4 Which? supports the proposal to develop a Code of Practice, underpinned by license conditions, which the suppliers will need to adhere to during the roll-out of smart meters⁵. Which? supports the 'Customer proposals for the Supplier Installation Code of Practice from the Consumer Focus workshop'⁶ as a basis for the Code of Practice.

Cost recovery

- 5 Which? remains unconvinced that the nature of retail markets are sufficient to drive cost efficiencies in the roll-out of smart metering⁷. However, Which? supports the proposal that suppliers should not be allowed to charge customers an upfront charge for smart meters⁸. Consumers do not currently face a charge for a meter and as such to begin to impose one would be unfair. What's more, this would not create a positive attitude towards smart-metering, which is likely to be important to a successful roll-out of smart meters.

Question 3: Do you have any comments on the proposed approach to ensuring customers have a positive experience of the smart meter rollout (including the required code of practice on installation and preventing unwelcome sales activity and upfront charging)?

- 6 As stated above, Which? supports the introduction of a Code of Practice. We also support the exclusion of unwelcome sales activity at the point of installation⁹.

⁴ 2.26, *Smart Metering Implementation Programme: Prospectus*, DECC and Ofgem, July 2010

⁵ 2.31, *Smart Metering Implementation Programme: Prospectus*, DECC and Ofgem, July 2010

⁶ Please see Consumer Focus for more details.

⁷ 2.33, *Smart Metering Implementation Programme: Prospectus*, DECC and Ofgem, July 2010

⁸ 2.34, *Smart Metering Implementation Programme: Prospectus*, DECC and Ofgem, July 2010

⁹ 2.32, *Smart Metering Implementation Programme: Prospectus*, DECC and Ofgem, July 2010

This will require clear guidance on what is defined as advice and what is sales and marketing activity during the visit.

- 7 In addition, should there be an option for suppliers to undertake prearranged sales activity¹⁰, it is not clear how it will be ensured that the quality of the experience is not diminished because of the additional sales element to the installation, which has more commercial benefit to the supplier. For example, the additional of a sales element may drive suppliers to reduce the time given to explaining to consumers what energy efficiency steps they can take at no extra cost to ensure that they have adequate time to deliver the sales pitch.
- 8 Should there be any sales element in the installation visit, it is vital that consumers are reminded of their rights, specifically their rights with regards to doorstep sales and cancelling contracts.

Industry Roles and Responsibilities

Question 6: Do you have any comments on the functional requirements for the smart metering system we have set out in the Functional Requirements catalogue?

- 9 The In-Home-Display (IHD) has real potential to help consumers better understand their energy consumption and a vital component of this will be the accuracy of the information given by the IHDs. The accuracy range for the information provided, with particular note to gas consumption, must be established and must be within a useful range for consumers.
- 10 The functionality of smart meters should support consumers' ability to have full control of their consumption data. This should include, but not be limited to, consumers controlling the granularity of data collected i.e. whether it be a 'top-level' meter reading for the week or a breakdown of how the final total was accumulated on an hourly basis.
- 11 It is not clear what the process for restarting gas or electricity supply to consumers' homes will involve, whether it will involve the IHD and if so what the protocol would be if the IHD is lost or broken. This needs to be addressed.

Question 7: Do you see any issues with the proposed approach to developing technical specifications for the smart metering system?

¹⁰ Smart Metering Implementation Programme: Consumer Protection, DECC and Ofgem, July 2010

12 Which? has no objections to the proposed approach¹¹. However, it should be underpinned with the development of clear parameters setting out the activity, involvement, responsibility and accountability of Ofgem and DECC.

Question 16: Do you have any comments on the proposals for requiring suppliers to deliver the rollout of smart meters (including the use of targets and potential future obligations on local co-ordination)?

13 Which? is broadly supportive of the proposals¹² and the use of targets as an initial framework the roll-out of the smart meters.

Implementation and Next Steps

14 We welcome Ofgem's review of the need for further consumer protections¹³, we look forward to viewing its findings.

Question 17: Do you have any comments on our implementation strategy? In particular, do you have any comments on the staged approach, with rollout starting before DCC services are available?

15 In reflection of both suppliers already rolling out smart meters to their customers and the emphasis on rolling-out smart metering on an accelerated time frame Which? supports the staged approach to the smart metering roll-out. However this must be underpinned by a robust consumer protection framework, which clearly sets out which, if any, condition are applicable to consumers who already have a smart meter or who will received one before the DCC is in place.

SMART METETRING IMPLEMENTATION PROGRAMME: ROLL-OUT STRATEGY

16 Which? welcomes the proposed Code of Practice for the smart meter installation and supports the proposal that no particular group of customers should be targeted initially for the smart meter roll-out.

17 Coordination of the roll-out with other initiatives such as pilot smart grid schemes may bring about full or additional benefits to consumers earlier than

¹¹ 3.10, *Smart Metering Implementation Programme: Prospectus*, DECC and Ofgem, July 2010

¹² 3.50 - 3.55, *Smart Metering Implementation Programme: Prospectus*, DECC and Ofgem, July 2010

¹³ 4.23, *Smart Metering Implementation Programme: Prospectus*, DECC and Ofgem, July 2010

otherwise would occur. Which? would support a process through which parties involved in smart metering roll-out and other energy related initiatives could explore the feasibility of coordinating activity and smart metering roll-out.

Approach for Roll-Out

Consumer acceptance and support

18 Which? agrees that consumers are central to the success of the smart metering roll-out¹⁴. Further to the factors set out that influence consumer behaviour¹⁵ we believe there are two further factors that will influence consumer acceptance and support of the smart metering roll-out- cost and inconvenience.

19 Firstly cost. While it is proposed that suppliers will not be allowed to levy an upfront charge on consumers for smart meters¹⁶, there will need to be reassurances or guarantees that consumers across the board will not see increases in their bills to finance the smart metering roll-out. Consumers being both willing and able to cover the cost of the smart meter roll-out will be crucial to consumer acceptance.

20 Secondly, there must be minimal inconvenience - both real and perceived. This must be factored in to ensure that smart metering is generally supported by consumers.

Proposed approach

Market led implementation

21 Which? is broadly supportive of the proposed approach and we look forward to receiving details of the review and evaluation process.

22 However we do not agree that only the proposed model will enable suppliers to develop new services and tariffs¹⁷, and given the recurring emphasis that the domestic retail market is competitive we find this a very odd assertion.

¹⁴ 2.9, *Smart Metering Implementation Programme: Roll-Out Strategy*, DECC and Ofgem, July 2010

¹⁵ "Awareness - consumers need to be aware of smart metering, its potential benefits and, as a consequence, have an interest in engaging with smart metering; Confidence - consumers need to be confident that a meter and its installation will be safe and secure; and that they will be able to achieve potential benefits as a consequence; Information/support - consumers will need to understand how to use the IHD and smart meter and what actions they can take to affect their energy consumption; and Opportunity - not all consumers have the same scope to change their consumption behaviour. Some consumers, particularly more vulnerable consumers, may have limited scope to cut down on their energy consumption or use energy at different times.", Para 2.9, *Smart Metering Implementation Programme: Roll-Out Strategy*, DECC and Ofgem, July 2010

¹⁶ 2.34, *Smart Metering Implementation Programme: Prospectus*, DECC and Ofgem, July 2010

¹⁷ 2.29, *Smart Metering Implementation Programme: Roll-Out Strategy*, DECC and Ofgem, July 2010

23 Furthermore we query the assumption that the development of new services and tariffs will automatically be a ‘significant benefit’ to consumers. Which? has repeatedly called for Ofgem and Government to address the confusing and incomparable nature of tariffs currently on offer¹⁸ through the introduction of minimum standards for tariffs¹⁹. Further proliferation of tariffs in the absence of minimum standards will only make this worse. This is particularly pertinent as a commonly cited benefit of smart metering is increased consumer switching²⁰, it is vital that the tariff landscape is one that consumers can confidently navigate.

Coordination

24 Which? recommends that the Government and Ofgem investigate options for facilitating dialogues between parties involved in the roll-out of smart metering and other energy initiatives, such as smart grids pilots, to investigate coordination opportunities. We believe that it maybe a missed opportunity if there is no forum for communicating and coordinating activity where possible.

Mechanisms for General Consumer Engagement

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?

25 Which? has no specific recommendation regarding the best way to promote consumer engagement. Regardless of the mechanism that is used for consumer engagement there must be minimum standards for any smart metering related marketing materials such as those set out in 3.9²¹. These should include when

¹⁸ Which? Responses to the Ofgem Probe Consultations, Which? has also published a number of briefings on bills and tariffs which set out our recommendation for the introduction of minimum standards for tariffs.

¹⁹ Which? wants the introduction of the following minimum standards for all tariffs: **Time guarantee** - tariffs should be guaranteed for a minimum of 12 weeks i.e. making sure the price stays the same for the time it takes for the switch to complete. **Reasonable warning about price changes** - companies should commit to provide a minimum of 12 weeks notice if a tariff is going to be changed, or when special deals are going to end. **Meaningful tracker tariffs** - until there is a standard measure used to benchmark tracker tariffs they should be removed from the market. **New version guarantee** - if a new cheaper version of an existing tariff is created, customers on that tariff should be moved onto it. **Notification for time based tariffs and a one month grace period** - companies should notify customers within one month of their deal coming to an end about what tariff they will be transferred to if they do not switch before the end date. **No hidden charges** - no more ‘no standing charges’ tariffs when these costs are just subsumed into the overall price, and no unfair penalties if you want to change energy tariff. **An itemised summary box** - for all tariff marketing materials would feature: the tariff name, the rate of gas and/or electricity per kWh and how this is broken down on a daily basis, how the cost has been calculated, any discounts you are benefiting from and when they end, any fees you will have to pay if you change supplier, the type of account (online or paper-based), the payment method and frequency of payments.

²⁰ 2.1 *Smart Metering Implementation Programme: Prospectus*, DECC and Ofgem, July 2010

²¹ 3.9, *Smart Metering Implementation Programme: Roll-Out Strategy*, DECC and Ofgem, July 2010

and where the term ‘smart’ can be applied and what claims can be made in relation. These must be developed together with a framework for their enforcement both for marketing activities going forward, and to what ends they would be applied to suppliers who are currently marketing smart meters.

Obligations on Suppliers to Complete Roll-Out

Question 6: Do you agree with the proposed obligation on suppliers to take all reasonable steps to install smart meters for their domestic customers? How should a completed installation be defined?

26 Which? supports the ‘all reasonable steps’ test approach²². We recommend and expect that any trends in suppliers not being able to install but where they have passed the ‘all reasonable steps’ tests be investigated.

27 Effective monitoring and evaluation of the roll-out and the ability to respond to trends will be important to the success of the smart metering roll-out. The auditing framework must be flexible, able to accommodate full and partial installations, where a full installation could be defined as household having installed smart meter, active WAN and HAN links, consumer received appropriate information and support and has an active IHD. A partial installation could be defined, at a minimum, as installed smart meter, active WAN and HAN links, consumer received appropriate information and support but the consumer has not received an IHD but is still within the timeframe to request one.

Targets for smart meter roll-out

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

28 Which? supports the broad proposal for reporting obligations and that all targets should be non-tradable between suppliers²³. We fail to see how the smart meter roll-out can be effectively delivered without interim targets against which supplier activity, smart meter installation rates and mechanisms for smart meter installation can be assessed and evaluated. Interim targets can also be set to reflect and address any trends in installation activity, as is required.

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

²² 4.7, *Smart Metering Implementation Programme: Roll-Out Strategy*, DECC and Ofgem, July 2010

²³ 4.20, *Smart Metering Implementation Programme: Roll-Out Strategy*, DECC and Ofgem, July 2010

29 At the earlier stages of the smart metering roll-out Which? would recommend that targets be set in terms of absolute numbers but with reporting and monitoring of household profiles where the meters are being installed. At later stages, should it be felt necessary the targets can set against profiles.

Prioritisation of Specific Groups

30 Which? supports the proposal not to prioritise a particular consumer group or meter type²⁴.

Reporting Arrangements

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?

31 Which? fully supports the proposal to require suppliers to publish annually the number of customers who have smart meters and traditional meters²⁵. We also support the inclusion of more detailed reporting monitoring as set out in 6.2²⁶:

- > What category of customer they have installed meters for (e.g. prepayment);
- > What areas they have installed meters in;
- > Whether the installation was carried out as part of a specific trial, initiative or local project; and
- > Whether the installation was at customer request or was a supplier-initiated meter exchange.

32 In addition to these categories we recommend the inclusion of reporting requirements on:

- > Whether the installation was a full or partial installation;
- > Whether the installation was a business as usual replacement;
- > Whether the customer was gas, electricity or dual fuel;
- > If there was IHD take-up;
- > What if any follow up occurred;
- > What if any interest there was in energy efficiency advice; and
- > Whether there was any sales activity at the point of installation or as a follow-up.

²⁴ 5.8, *Smart Metering Implementation Programme: Roll-Out Strategy*, DECC and Ofgem, July 2010

²⁵ 6.1, *Smart Metering Implementation Programme: Roll-Out Strategy*, DECC and Ofgem, July 2010

²⁶ 6.2, *Smart Metering Implementation Programme: Roll-Out Strategy*, DECC and Ofgem, July 2010

Consumer Issues

Location of meters

33 At the point of installation suppliers should be encouraged, where appropriate, to move meter points and install the smart metering equipment in more convenient locations. This is particularly important if all consumers will be required to interact with their meter to restart energy supplies.

Billing and meter errors

34 Which? recommends that back billing associated with a faulty meter identified when at the point of installing a smart meter be limited to a year. We support the inclusion of this limitation within the Code of Practice²⁷.

Question 13: Do you agree with our proposal to require suppliers to develop codes of practice around the installation process? Are there any other aspects that should be included in these codes of practice?

35 As previously stated²⁸, Which? supports the development of a Code of Practice for installation²⁹, as set out above we support the inclusion within the code of practice the movement of meters to more convenient locations and limitation of back billing to 12 months.

36 We also support the 'Customer proposals for the Supplier Installation Code of Practice from the Consumer Focus workshop'³⁰ as a basis for the Code of Practice.

Monitoring consumers' experience

37 Which? supports the proposal to monitor consumers' experience, we look forward to reading the proposals for this³¹.

²⁷ 7.15, *Smart Metering Implementation Programme: Roll-Out Strategy*, DECC and Ofgem, July 2010

²⁸ Paragraph 4

²⁹ 7.20-7.22, *Smart Metering Implementation Programme: Roll-Out Strategy*, DECC and Ofgem, July 2010

³⁰ Please see Consumer Focus for more details.

³¹ 7.25- 7.27, *Smart Metering Implementation Programme: Roll-Out Strategy*, DECC and Ofgem, July 2010

SMART METETERING IMPLEMENTATION PROGRAMME: IMPLEMENTATION STRATEGY

Programme management and Governance

Question 1: Do you have any comments on our proposed governance and management principles or on how they can best be delivered in the context of this programme?

38 Which? is broadly supportive of the proposed governance and management principles³². The principles should reflect that the roll-out of smart metering is to be a positive experience for consumers and that they should always be duly protected.

Programme Activities

39 As stated above, we believe that the cost impact and inconvenience (actual or perception of) will also influence consumer acceptance³³.

Consumer Protections

40 Which? welcomes the proposal to ensure that consumers are protected and Ofgem's recognition of the need to act quickly, we look forward to viewing Ofgem's review of the consumer protection landscape and whether it is adequate in this context³⁴. We also support the proposed activity set out in 3.13³⁵ to ensure that all consumers are protected.

Data Privacy

41 Which? supports the principle that "the customer shall choose in which way consumption data shall be used and by whom, with the exception of data required to fulfil regulatory duties"³⁶. As stated above, we recommend that this be extended to ensure that consumers have full control of the granularity of data collect and amount of it³⁷.

Review of Business Case

³² 2.20, *Smart Metering Implementation Programme: Implementation Strategy*, DECC and Ofgem, July 2010

³³ Paragraphs 18- 20.

³⁴ 3.10- 3.12, 3.15, *Smart Metering Implementation Programme: Implementation Strategy*, DECC and Ofgem, July 2010

³⁵ 3.13, *Smart Metering Implementation Programme: Implementation Strategy*, DECC and Ofgem, July 2010

³⁶ 3.17, *Smart Metering Implementation Programme: Implementation Strategy*, DECC and Ofgem, July 2010

³⁷ Paragraph 10.

42 We have previously stated our concern as to whether smart metering will deliver for consumers, therefore we welcome the proposal to further define the benefits and the development of a realisation strategy³⁸.

Implementation Plan for Regulatory Framework Change

Question 3: Do you agree with our proposal for a staged approach to implementation, with the mandated rollout of smart meters starting before the mandated use of DCC for the domestic sector?

43 As stated previously, we broadly support a staged approach but this must be underpinned by the rapid development and implementation of a consumer protection framework³⁹.

Which?
September 2010

³⁸ 3.29 -3.32, *Smart Metering Implementation Programme: Implementation Strategy*, DECC and Ofgem, July 2010

³⁹ Paragraph 15.