

Minutes of Sustainable Development Advisory Group meeting

This is a record of Ofgem's SD Advisory Group meeting, held 2 November 2011.

From	Jenny Mills
Date and time of Meeting	2 nd November 2011 11:00-1:00
Location	Millbank

1. Present

Chair

Lord Mogg, Chairman, Gas and Electricity Markets Authority

Gas and Electricity Markets Authority Members

Sarah Harrison, Senior Partner, Sustainable Development

SD Advisory Group members

Nick Folland (Kingfisher)
Jenny Saunders (National Energy Action)
Derek Lickorish (Fuel Poverty Advisory Group)
Audrey Gallacher (Consumer Focus)
Jeremy Nicholson (EEF)
Phil Jones (CE Electric UK)
Doug Parr (Greenpeace)
Gaynor Hartnell (Renewable Energy Association)
Nick Eyre (Oxford University)

Additional external attendees

Jeremy Parsons (Kingfisher)
Rachel Crisp (DECC)

Ofgem staff

Philip Cullum
Sarah Samuel
Colin Sausman
Neil Barnes
Michael Grubb
Jenny Mills

2. Apologies

David Harker (GEMA)
David Sigsworth (SEPA)
Tony Grayling (EA)
Colin Imrie (Scottish Government)
Ian Marchant (SSE)
Juliet Davenport (Good Energy)

3. Review of minutes from previous meeting

3.1. The minutes were confirmed as circulated.

4. Developing smarter energy markets from the platform of smart meters

4.1. Colin Sausman presented Ofgem's plans to develop a strategy for leveraging the benefits of the smart meter rollout. The focus for discussion was on the opportunities and risks of market development from a sustainable development perspective.

4.2. Lord Mogg clarified the respective roles of Government and Ofgem with regard to the smart meters programme.

4.3. Key points raised by members in discussion included:

- The education and engagement of consumers will be key to the success of the smart metering programme. Consumers need to accept smart meters before they will engage with them. We should learn from the lesson of European smart meter rollouts. Education, support and advice should be provided alongside the rollout, to promote engagement and enable consumers to make well-informed decisions. Here, there may be a role for a specialist consumer advice organisation as per the digital switchover.
- Interfaces with smart meters and appliances should be as simple as possible to make it easy for consumers to engage. This fits with Ofgem's Retail Market Review, which aims to simplify the current market, thereby promoting engagement and competition.
- Data is the key opportunity to arise from smart metering. Access to and use of smart metering data should be regulated to protect consumer privacy. For example, the Green Deal could be a vehicle for having discussions around making the best use of consumers' data. There may also be value in an independent analysis to enable fine tuning of demand and supply. Ofgem has consistently supported the principle of consumer control over access to their smart meter data.
- Many of the anticipated benefits are contingent on consumer response, but there is a possibility that smart meters will go into homes and not effect sustained behaviour change. There will be a need to monitor how the meters are performing against their potential benefits.
- With regard to the supplier-led rollout, members considered that industry is likely to be good at delivering cost savings and load shifting but that it is not in suppliers' interests to reduce demand. There is therefore a risk that smart meters will be seen as billing rather than energy management devices. Given the public's general distrust of suppliers, there is a role for Government to promote acceptance of smart meters. There may also be space for networks to interact directly with consumers.
- There needs to be protection for vulnerable and low-income consumers in relation to remote- and self- disconnection, as well as the rollout process. Distributional impacts will also need to be understood and addressed.
- Both smart meters and the associated market arrangements need to be future-proofed by making them flexible enough to adapt to the needs and technological advances that arise. Members questioned whether the meters will be designed to make optimisation decisions, or to make switching between suppliers easier.
- The smart meter rollout represents a facilitative technology and provides an excellent opportunity to manage demand better. The main potential benefit could be in load shifting. Other market participants should be able to compete with suppliers in offering demand-side response propositions. DECC are looking at the potential role of demand-side response in system balancing.

- There is a concern that not enough information is being gathered on smart meters in relation to SMEs.
- It was noted that most discussion is around electricity, but there is a different set of issues with regard to gas supply.

5. Factoring sustainability issues into Ofgem's thinking

5.1. Michael Grubb presented the thinking behind the work on the SSA tool and briefly explained the proposed elements.

5.2. Lord Mogg emphasised that this work is at an early stage, and the tool presented is one possible approach to factoring sustainability into Ofgem's thinking.

5.3. The following points were raised by members in discussion:

- The tool was welcomed by members, who believe it supports Ofgem's principal objective.
- A significant benefit would be the added transparency of Ofgem's decision-making.
- There were mixed views on Ofgem's role in balancing the interests of current and future consumers and the tool was viewed as useful in that context.
- There was cautious support for including distributional impacts as an additional element.
- Members highlighted potential difficulties around the need for future visions and the definition of system boundaries.

5.4. Members would like to be kept informed on the timing of this work.

6. Any other business

6.1. Proposals for future topics: transparency around the green add-on to bills, and the Energy Efficiency Directive.

6.2. Ofgem would appreciate feedback on whether the approach of getting input to our work at early stages is helpful.

6.3. Members would appreciate feedback on how the Group's input is taken forward.

7. Date of next meeting

The next meeting is scheduled for 21 February 2012, 10:00-12:00.