

Response to Ofgem:

Supporting Effective Switching for Domestic Customers with Smart Meters: Further Statutory Consultation and Notice



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.

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 improved energy efficiency of housing¹. The most recent figures² from the Scottish House Condition Survey Key Findings Report show that there were 658,000 households living in fuel poverty in Scotland mid-2010, representing 30% of total households.

According to figures produced by the Scottish Government³, for every 5% rise in fuel prices an estimated 40,000 more households would go into fuel poverty. Based on these figures EAS estimates that there are currently almost 900,000 households, four in ten, 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.

Proposed Changes to Licence Conditions

EAS welcomes the opportunity to respond to Ofgem's second statutory consultation on the proposal to introduce new licence conditions for domestic gas and electricity suppliers who have installed Advanced Domestic Meters (ADMs). EAS believes that in most instances, the new licence conditions will help to ensure that ADM customers continue to receive the appropriate services and support if they choose to switch supplier.

EAS has concerns, however, that an unacceptable number of domestic consumers may suffer detriment as a result of the volume thresholds that Ofgem is proposing should apply. A Data Communications Company (DCC) will not be established until 2014, by which time Ofgem estimates that some 5 million ADMs of differing types will have been installed under the Foundation Stages of the Smart Metering programme i.e. approximately 10% of the total expected smart meter installations⁴. Ofgem assumes that

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

² Scottish House Condition Scotland Key Findings 2010

³ Estimate of Fuel Poverty Households in Scotland: Scottish House Condition Survey March 2009

⁴ Consultation document, section 1.8 refers

ADM customers will switch supplier at a rate of 16.5% and that up to 1 million customers might therefore switch suppliers before the DCC is established⁵.

EAS understands Ofgem's wish to support innovation (including installation of ADMs on a trial and test basis), but does not believe that customers should suffer as a result of such innovation, regardless of whether consumers have ADMs installed as part of a large-scale rollout or a small scale trial. Consumers with ADMs may have accepted – or instigated – installation of ADMs on the basis of the potential benefits offered by the ADM. It would seem likely that ADMs were installed (and will continue to be installed in the run up to 2014) without customers:

- being made aware that their ADM is a fully compliant smart meter or a partly compliant device
- understanding the possible impact on their switching choices, ability to switch supplier and service provision

These customers must not be disadvantaged either by having their switching choices limited or by losing some elements of their ADM functionality or service.

In particular, EAS believes that prepayment meter (PPM) customers are already disadvantaged as they are unable to benefit from some of the discounts offered by suppliers (e.g. those based on payment methods). They must not be further disadvantaged simply as a result of ADM installation and subsequent licence condition changes.

Ofgem acknowledges that their proposed thresholds are likely to result in detriment to some customers. Their Impact Assessment, however, offers no specific guide to the number of ADMs that are currently non-compliant or the number that are likely to be non-compliant by 2014. Further, Ofgem provides no indication of the number of ADMs installed (or likely to be installed by 2014) by 'small' suppliers. Nor does Ofgem give any indication of the number of ADMs installed/likely to be installed by bigger suppliers, at a level below the proposed threshold. With regard to the latter - and taking into account that the thresholds are specific for gas and electricity – more than a million ADMs could be installed by big suppliers without the licence obligations applying to their ADM activities. In addition, half a dozen smaller suppliers could theoretically install another million + ADMs without the obligations applying.

Summary

EAS does not support Ofgem's proposed materiality thresholds. The potential detriment to an unknown, but growing, number of ADM customers does not warrant such thresholds being applied.

EAS also recommends that Ofgem gives consideration to controlling the Foundation Stage rollout, specifically limiting the number of non-compliant ADMs installed until full establishment of the DCC in 2014.

⁵ Consultation document, Impact Assessment, section 1.25 refers