

Dear Mr Schoonbaert

## **Ofgem Consultation on Consumer Empowerment and Protection in Smart Markets**

Thank you for the opportunity to comment on the above document. This response represents the collective view of SmartGrid GB, an independent, cross-industry stakeholder group acting as the national champion for smart grid development in Britain. Individual members of our organisation may separately submit their own independent views.

SmartGrid GB is committed to ensuring that consumers understand the benefits and opportunities available to them and is willing to continue to support both Ofgem and DECC in delivering a successful roll out of smart metering and an effective and efficient smart grid.

Our response reinforces our previously expressed view that public awareness of the issues facing the energy system and the policies and schemes that are trying to address it such as smart metering/grid etc is currently too low. Messaging in all areas of energy policy needs to be coordinated via a general nationwide education programme to build awareness of the challenges facing the energy system, to empower consumers and to avoid confusing them<sup>1</sup> and we therefore welcome this consultation.

We have structured our response to follow the outline set out in your consultation document.

### **Question 1**

#### **Do you agree with our proposed approach to micro-businesses?**

All consumers, whether they be domestic, micro businesses or large users should be empowered. Three basic elements of empowerment are energy information, pricing options, and automation opportunities for automated energy shifting or saving. We recognize that micro businesses are different from both domestic consumers and larger business consumers and note that in recognition of these differences, supply licence Standard Condition 7, already provides clearly defined protections for micro businesses. We agree that it should be considered whether the protections are relevant and appropriate but would question whether they should directly reflect those put in place for domestic consumers. What is important is that any rights and protections for each consumer group should be clearly defined so that all parties can deal with issues efficiently (and in this respect the use of different definitions eg of a small domestic consumer by DECC and Ofgem may not be helpful).

We set out below our specific views on the inclusion of micro businesses within the different focus areas of the programme.

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**Inclusion of micro businesses:**

<b>Focus Area</b>	<b>Ofgem intention</b>	<b>Our response</b>
Prepayment.	Include	Numbers probably small but sensible to include at this stage
Billing Accuracy	Include	We agree the topic is relevant to micro businesses and that relevant provisions are different, justifying specific consideration.
RMR and time of use	Exclude	The RMR provisions in the main do not apply to non-domestic consumers and so it is not appropriate to include micro businesses in this focus area.
Tariff Innovation	Include	Tariff innovation is likely to relate to micro businesses but differently to domestic consumers. Therefore specific consideration is appropriate.
Provision of data	Include	Data provision is likely to relate and be valuable to micro businesses but differently to domestic consumers. Therefore specific consideration is appropriate.
Marketing and Sales	Include	There have been examples of poor practice in marketing to small businesses in the past. It is sensible therefore to include micro businesses in this focus area.
Consumers without a smart meter	Include	There will be micro businesses without smart meters, probably for an extended period. These will include those with Advanced Metering, a consideration that does not apply to domestic consumers. Therefore it is appropriate to include micro businesses in the focus area.
Advanced DSR	Include	Small business may have substantive opportunities in the area, having, in general, larger consumption than domestic consumers. Therefore it is appropriate and important to include micro businesses in the focus area.
Debt prevention	Include	We agree that different provisions apply in this area, but that the subject matter is important for small business. Therefore it is appropriate and important to include micro businesses in the focus area.

## Question 2

### **Do you agree with the focus areas we identified?**

Identifying different focus areas is a useful means of organising the work. The areas chosen appear to cover the necessary ground, though two of the areas identified appear to us to span the whole of the project: these areas are RMR and Time of Use and the Marketing and Sales focus areas. Each of these seems to be relevant to each proposed phase of the project. For example, consistency with the RMR principles will be important for any new tariffs as well as for any DSR developments. Similarly, marketing practice issues can arise in many or all of the focus areas (however, marketing requirements are already clearly defined and the RMR is an ongoing activity).

SmartGrid GB members have suggested two ways of addressing this issue. The first would be to address both areas in the foundation stage of the programme. This could have the desired effect of dealing with both issues upfront, meaning that work in both areas could more easily inform the next stages of the programme.

The second would be to accommodate both the RMR/Time of Use and the Marketing and Sales focus areas in the ongoing Monitoring and Analysis activity that is shown in the programme work plan on Page 19. Whilst this could address some problems, SmartGrid GB members have highlighted that a potential risk of this approach could be to reduce the need to deal with areas as quickly as possible when, ideally, they ought to be attended to immediately.

## Question 3

### **Do you agree with the objectives we set out?**

The objectives for Prepayment are appropriate and useful, however not all vulnerable consumers are served by prepayment meters and it will be important to ensure that the objectives set out in the consultation are consistent with those set out in other focus areas, including that on vulnerable consumers, and that outputs are aligned.

The principle of cost reflective charging for residual prepayment methods may create a problem as numbers remaining on the present system become small. It might be helpful for Ofgem to indicate what principles it will apply as it reviews this. Will it retain the cost reflective principle even if costs rise substantially? It will be important to be clear about the rationale and to present the available options to affected consumers.

The objectives for Accurate Billing are appropriate and useful.

The RMR objectives are appropriate and useful, subject to our comment about the need for the RMR work to apply across the whole programme.

We would note that generally the objectives appear to focus on protection rather than empowerment; given empowerment and clarity around the benefits of smart metering and smart grids consumers should be able to make sensible choices ie empowerment in itself can be a protection.

Protections are necessary to address issues when things go wrong but they should not be so prescriptive as to stifle innovation and it will be necessary to ensure that, as well as protections against inappropriate supplier behaviour, consumers have some redress against third party intermediaries (TPIs).

#### **Question 4**

##### **Do you agree with the proposed phasing of work, or do you think some area should be brought forward or pushed back?**

It is sensible to phase the work in order to deploy the available resources effectively and to recognize that it may be helpful to allow the market to develop in some aspects before beginning some of the work. However we feel that there is one area where substantive consumer benefit can be better achieved by an earlier start. This is the Provision of Consumption Data and Information to the Consumer. Achievement of the benefits from this area will require pro-activity and communication from suppliers and probably distribution companies. If these are not forthcoming to the necessary level the realization of the potential benefits will be, at best, delayed. An accelerated start would allow earlier oversight of progress and thereby bring value. In this respect it will be important to ensure that the work is aligned with other activities around data privacy (including the access to the data of TPIs).

If the RMR and Sales and Marketing work areas were to be addressed in the foundation stage or, alternatively, were to be transferred into a continuing Monitoring and Analysis activity it may prove possible to bring both of these areas forward. See SmartGrid GB's two earlier recommendations under question two.

#### **Question 5**

##### **Do you think we have missed any areas to focus on? When do you think we should address these?**

Substantial achievement of the potential benefits of the smart metering initiative will depend heavily on consumer awareness and acceptance. Whilst we note that the Smart Meter Central Delivery Body (SMCDB) is working to help ensure that consumers understand the benefit of smart meters there is at yet little information available to domestic consumers and micro businesses. Good, accessible and clear information will be needed at the right stages to support the success of each of the focus areas (and the wider objectives of the Smart market programme). It would be relevant and important for the Consumer Empowerment and Protection project to work alongside the SMCDB and to include some work on reviewing and assessing the effectiveness of communications with consumers on the purpose and value of the smart meter roll out in general and in relation to each of the focus areas in particular. This could be dealt with by including this in each focus area or by establishing a separate "Communications" focus area which would span the lifetime of the project.

There will also need a need for coordination, communication and consistency with all of the many other projects, activities and initiatives being undertaken by others in the field of Smart Grids and Smart Metering. This will include identifying and controlling interdependencies with the change management processes for industry codes. All projects in this subject area will need some form of coordinating function. This is referred to in Section 2.8 but there would be some benefit if this could be brought out more clearly.

Although it might not form a Focus Area of its own, there would be value across the project in seeking to learn from the experience in other jurisdictions. This could be incorporated by including this as a specific activity in each Focus Area.

### **Question 6**

#### **How would you like to engage with us throughout this work?**

SmartGrid GB and its members wish to continue to proactively engage with, and support, both the DECC and Ofgem smart metering and smart grid initiatives. We would welcome the opportunity to support you in developing the detailed workplan, to participate in working groups and to respond to requests for information.

I hope the above response is helpful to you but please do not hesitate to contact me if you require any clarification or further information.

Yours sincerely,

Robert McNamara  
Executive Director  
SmartGrid GB

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