



Citizens Advice Scotland's response to Ofgem's Consultation on the post-2020 Smart Meter Rollout Supplier Reporting Requirements (November 2019)

Citizens Advice Network in Scotland

Citizens Advice Scotland (CAS), our 59 member Citizen Advice Bureaux (CAB) and the Extra Help Unit, form Scotland's largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone. Our self-help website Advice for Scotland provides information on rights and helps people solve their problems.

In 2017-18 the Citizens Advice Service network helped over 295,100 clients and dealt with almost 800,000 advice issues for clients living in Scotland. With support from the network clients had financial gains of almost £142.2 million and our self-help website Advice in Scotland received approximately 3.2 million page views. On energy consumer issues in particular, we advised on over 41,000 energy-related issues in 2017-18, generating over £1.8m in client financial gain¹.

Our extensive footprint is important in helping us understand how issues impact locally and nationally across the country and the different impacts that policies can have in different areas.

Who we are

The policy teams at Citizens Advice Scotland (CAS) use research and evidence to put people at the heart of policy and regulation in the energy, post and water sectors in Scotland. We work with government, regulators and business to put consumers first, designing policy and practice around their needs and aspirations. We aim to represent the views of different consumer groups using evidence of consumer views and supporting research wherever possible.

CAS advocates on behalf of domestic and micro-business consumers on energy-related matters in Scotland, and although we are separately funded organisations, we work closely with our colleagues at Citizens Advice in this area. We therefore welcome the opportunity to

¹ https://www.cas.org.uk/system/files/publications/cas_energy_advice_detail_2017_18_published.pdf

respond to Ofgem's consultation on the post-2020 smart meter rollout supplier reporting requirements. Our thoughts on this are not confidential and may be published in full.

Executive Summary

- CAS welcomes Ofgem's proposal to extend the reporting requirements that are currently placed on suppliers beyond the end of the existing obligation. We also welcome proposals to require all suppliers to report on their performance against their proposed annual milestones, as agreed with BEIS. However, we are concerned that a requirement for suppliers to report their performance at GB level could mask significant differences in the rate of the smart meter rollout in different areas of the country. We do not consider that this would allow for sufficient oversight of suppliers' progress in bringing the benefits of smart meters to all GB communities.
- CAS has previously called for suppliers' annual milestones to be set at DNO level, and we believe there are benefits in requiring suppliers to report their performance at a similar, sub-GB level. However, Ofgem may wish to consider whether having even greater granularity in the reported data would help to ensure that no consumer profile or area of the country is left behind by the post-2020 smart meter rollout.
- We agree that it would be disproportionate to require small suppliers to report to the same level of detail as large suppliers. However, we believe that data should be reported separately for gas and electricity, and that all suppliers should be required to report at a greater level of detail than that which is currently proposed. We also query whether redefining what constitutes a 'small' or 'large' supplier might better assist Ofgem in its work on vulnerability and adverse consumer outcomes in the prepayment gas and electricity markets.
- CAS supports the Ofgem's view that suppliers should be required to publish both their headline annual milestones for the year ahead, and their delivery against their annual milestones for the preceding year. However, we believe that reporting this data at sub-GB level is imperative, and that suppliers should also be required to actively communicate this data to each of their customers by their chosen communication method.
- Though we support Ofgem's ability to impose significant financial penalties on any supplier that does not meaningfully engage with the smart meter rollout, we urge Ofgem to place a greater emphasis on the enforcement of a high quality customer

journey through the energy transition post-2020 than has perhaps been the case under the existing “all reasonable steps” obligation. CAS therefore supports proposals to require all suppliers to provide the Ofgem with a confidential narrative on their smart meter installation performance for the preceding year if it is used to ensure that any enforcement action it chooses to take against a supplier is proportionate to the level of consumer detriment caused. This detriment might take the form of missed installation targets or the provision of a poor customer journey. However, we also believe that an accessible, non-confidential summary of this narrative should be made publicly available and proactively shared with a supplier’s customer base in the interests of transparency.

1. Background: The BEIS Consultation

- 1.1 In its consultation on a Smart Meter Policy Framework post 2020 (hereafter, “the BEIS Consultation”), BEIS proposed that a minimum of 85% of all GB gas and electricity consumers should be able to benefit from fully interoperable smart meters by the end of 2024². It also proposed the imposition of binding annual smart meter installation targets on all suppliers as a means of ensuring that adequate progress is made towards this goal throughout the post-2020 smart meter rollout period².
- 1.2 In our response to the BEIS Consultation, CAS supported the government’s position that all GB suppliers should be obligated to comply with the revised smart meter rollout plans. However, we raised concerns that if such an obligation were applicable only at GB level it would risk a 2-paced smart meter rollout, with certain areas of the country and / or certain consumer profiles potentially left behind if, in order to avoid financial penalties, suppliers are incentivised to target the bulk of their smart meter rollout efforts at their most engaged, least vulnerable and / or lowest cost-to-serve consumers. Consequently, we called for the proposed minimum smart meter coverage targets to apply to each supplier at electricity distribution network operator (DNO) level in an effort to mitigate against this risk.
- 1.3 We also stated our belief that the success of the smart meter rollout in enabling a smarter, more flexible energy future will rely on a positive consumer experience of the smart meter installation process. We agree that the imposition of financial penalties for poor supplier performance on smart meter installation rates could act as an effective tool in ensuring that smart meters reach every GB gas and electricity consumer as

²https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/831734/smart-meter-policy-framework-post-2020-consultation.pdf

soon as is reasonably practicable. However, we highlighted that it will be important to ensure that any such penalties are levied in such a way that they do not incentivise suppliers to focus on arbitrary numerical targets at the expense of the quality of the customer journey throughout the energy transition.

- 1.4 With multiple technical challenges to GB-wide smart meter availability yet to be resolved, we also raised concerns that electricity consumers who are supplied via traditional non-Economy 7 restricted meters may be among the very last to benefit from smart meters. In Scotland, a significant proportion of the 292,000 households that use electricity as their primary fuel source for space heating and hot water³ are provided with such meters, and with fuel poverty rates among electric heating users in Scotland at 52%³, we raised concerns that a large proportion of the costs of maintaining the traditional meter network towards the end of the smart meter rollout would be placed on consumers who are already unable to affordably heat their homes to an acceptable standard.
- 1.5 In our response to the BEIS Consultation, CAS therefore also speculated that there may be merit to the introduction of a licence code modification to protect consumers whose ability to access the benefits of smart meters is restricted by the industry's readiness to provide them with suitable metering equipment. This could take the form of a new obligation on suppliers that would provide any consumer who has expressed a wish to have a smart meter installed, but who cannot – for whatever reason – be provided with suitable metering equipment in a timely manner, with an energy discount or tariff adjustment equivalent in value to a reasonable estimate of the projected savings a smart meter would have allowed that consumer to make.
- 1.6 In addition to protecting consumers from additional costs they have no opportunity to avoid, we noted that such an intervention might financially incentivise consumers to adopt smart meters where they may not otherwise have chosen to do so. We therefore observed that such provisions could also help suppliers to engage the interest of vulnerable and hard to reach consumers in both the smart meter rollout and the wider energy transition.

³Scottish House Condition Survey 2017

2. Performance Reporting and Overarching Principals

- 2.1 CAS recognises that ongoing monitoring of the smart meter rollout affords an effective means of providing transparency as to suppliers' relative performance in ensuring that all GB gas and electricity consumers are able to benefit from smart meters as soon as is reasonably practicable. We therefore welcome Ofgem's proposal to extend the reporting requirements that are currently placed on suppliers beyond the end of the existing obligation.
- 2.2 We also welcome Ofgem's proposal to obligate all suppliers to report on their performance against their proposed annual milestones, as agreed with BEIS. We are, however, concerned that reporting suppliers' performance at GB level only risks masking potentially significant differences in the rate of the smart meter rollout in different areas of the country, and we consider that this would afford neither Ofgem nor BEIS sufficient oversight of suppliers' progress in bringing the benefits of smart meters to all GB communities.
- 2.3 Under their existing smart meter obligations, fewer than 15 million of the estimated 53 million domestic and microbusiness gas and electricity meter points in GB were benefitting from a functioning smart meter by 30 June 2019⁴. A further 2.7 million smart meters across the domestic and microbusiness sectors in GB were also believed to be operating in traditional mode as of that date⁴. However, data from Electralink⁵ suggests that smart meter installation rates in Scotland are significantly lower than the GB average, with 1,022,562 smart meters installed across the domestic and microbusiness sectors in Scotland to 31 October 2019 against an estimated 4.501 million gas and electricity meter points in the domestic sector alone⁶.
- 2.4 Smart meter provision in Scotland is therefore already lagging behind the rest of GB., and CAS is concerned that the continued use of GB level smart meter installation targets and reporting obligations could leave Scottish consumers to fund a disproportionate share of the costs of maintaining the traditional gas and electricity meter networks as the national smart meter rollout progresses. With fuel poverty rates

⁴https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/827813/2019_Q2_Smart_Meters_Statistics_Report.pdf

⁵<https://www.electralink.co.uk/monthly-smart-meter-installs/>

⁶Figures extrapolated from data contained within the Scottish House Condition Survey 2017

in Scotland more than twice those found in England and Wales⁷, this will have a significant and adverse effect on a sizeable proportion of gas and electricity consumers in Scotland.

2.5 CAS has previously called on BEIS to modify its proposal for an 85% minimum coverage level for smart meters at GB level by the end of 2024 to ensure that all regions of GB benefit equally from this target. We believe that this could be achieved by setting targets for, and reporting on, smart meter market penetration by supplier at DNO level. However, Ofgem may wish to consider whether having even greater granularity in the reported data would help to ensure that those in remote rural and island communities, for example, are not further marginalised by the post-2020 smart meter rollout.

2.6 Though we agree that it would be disproportionate to require small suppliers to report to the same level of detail as large suppliers, we therefore believe that all suppliers should be required to report at a greater level of detail than that which is currently proposed. For example, in addition to reporting on their smart meter installation performance at sub-GB level, CAS believes that transparency in the progress of the smart meter rollout could be enhanced if all suppliers were also required to report annually on:

- the size of their sub-GB level customer base with SMETS1 smart meters that are yet to be migrated onto the Data and Communications Company's (DCC's) wide area network (WAN);
- the size of their sub-GB level customer base with fully interoperable SMETS1 smart meters; and
- the size of their sub-GB level customer base with SMETS2 smart meters

2.7 In the event that our proposed licence code modification is adopted (as outlined in paragraph 1.4) we also believe that suppliers' installer capacity and customer engagement practices could be better monitored if all suppliers were also required to report on:

- the total number of their customers who had requested a smart meter by 31 December of the preceding year, but who had yet to receive one by that date; and

⁷https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/829006/Annual_Fuel_Poverty_Statistics_Report_2019_2017_data.pdf

- the total number of their customers who were on the smart meter waiting list as at 31 December of the previous year who have since been provided with fully interoperable smart meters

2.8 A full breakdown of the reporting requirements we believe should be required of suppliers to provide sufficient clarity to consumers, Ofgem and the UK government as to the industry's progress on the post-2020 smart meter rollout is provided in Appendix A to this response.

2.9 Finally, we also note that Ofgem's proposed definition of a 'large' supplier has been set to align with the point at which a supplier becomes an obligated participant of the Energy Company Obligation (ECO) and, from 1 April 2020, the Warm Home Discount Scheme. For the purposes of the proposed post-2020 smart meter rollout supplier reporting requirements, Ofgem therefore proposes to define a large supplier as any supplier with 150,000 or more unique customer accounts.

2.10 While there is obvious logic to this definition, we wish to highlight the significant reporting deficit this would create between 'small' suppliers who are large enough to be obligated to offer consumers the opportunity to pay in advance for their gas and / or electricity via a prepayment meter (i.e. those suppliers with 50,000 customers or more), and those suppliers with 150,000 unique customer accounts. While a 'small' supplier with between 50,000 and 149,999 customers is therefore subject to identical metering obligations to those of a 'large' supplier, under current proposals Ofgem would require only the 'large' supplier to report on the number of traditional prepayment metered customers who have been provided with a smart meter in any given year.

2.11 Consumers who pay in advance for their energy through a prepayment meter are more likely to be vulnerable than those who make use of a credit metered supply, and it is estimated that as many as 1-in-10 prepayment energy consumers self-disconnect from their supply at least once per year⁸. Smart meters therefore offer particular benefits to prepayment energy customers as they provide the opportunity for suppliers to provide a wider range of tariffs than can be accommodated by traditional meters, make it easier for a supplier to identify a consumer who is off supply, and make it possible for consumers to top up remotely.

⁸https://www.ofgem.gov.uk/system/files/docs/2019/08/proposals_to_improve_consumer_outcomes_self-disconnection_and_self-rationing_1.pdf

2.12 In other areas of its work, Ofgem has demonstrated its commitment to ensuring the fair treatment of vulnerable consumers⁹ and has recently consulted on measures designed to alleviate some of the adverse consumer outcomes evidenced in the prepayment gas and electricity markets⁸. In this context, we therefore wonder whether there is merit in lowering the threshold at which additional smart meter rollout reporting requirements are imposed, such that they take effect at the same stage of a supplier's growth as does the obligation to offer consumers a prepayment meter.

3 Publication of Information

3.1 CAS supports Ofgem's view that suppliers should be obligated to publish both their headline annual milestones for the year ahead, and their delivery against the proposed milestones agreed with BEIS for the preceding year. With the costs of the smart meter rollout ultimately borne by consumers, we agree that this data should be in the public domain, although as stated above we believe reporting these data at sub-GB level is imperative. Nevertheless, we believe that greater transparency could be provided by obligating suppliers to actively provide this data to each of their customers by their chosen communication method, in addition to the publication of this information in a suitably prominent place on their website. This would ensure that those who are digitally excluded are made aware of their supplier's performance in regard to the smart meter rollout and would provide information which may be of assistance when consumers seek to make informed decisions about their ongoing custom with that supplier.

3.2 Ofgem's proposal to require suppliers to provide it with a confidential narrative of their performance against their proposed milestones for the preceding year appears to be somewhat at odds with what was proposed in the BEIS Consultation, however. In this it was proposed that suppliers' annual milestones would be binding, with Ofgem empowered to take enforcement action where a supplier's performance fell below expected levels. In our response to the BEIS Consultation, we raised concerns that this could inadvertently incentivise the wrong supplier behaviours and result in a poor consumer experience of the smart meter installation process. We believe this would discourage consumers from actively engaging in the energy transition and erode the value of the smart meter rollout.

⁹https://www.ofgem.gov.uk/system/files/docs/2019/10/consumer_vulnerability_strategy_2025_.pdf

- 3.3 CAS notes that at present, only 60% of consumers who have been provided with a smart meter can recall having been provided with energy efficiency advice¹⁰, despite this forming an integral part of the Smart Meter Installation Code of Practice (SMICoP)¹¹. Smart meter installation abort rates have also risen during 2019¹², and the number of consumers who have not been provided with a functioning In-Home Display (IHD) also remains too high¹⁰. Though the Authority placed 6 suppliers on Performance Improvement Plans in March 2019 for poor performance in this area¹⁰, none has been fined for persistently poor customer service relating to their smart meter installation program under the existing smart meter obligation. Conversely, 2 domestic suppliers have been fined for missing their smart meter installation targets^{13,14} – one of whom scores consistently highly in the SMICoP customer surveys¹⁰.
- 3.4 CAS recognises the benefits that smart meters will bring to both consumers and suppliers. However, we think it is more important that the smart meter rollout is done right first time than for it to be rushed through to arbitrary deadlines. Though we support the Ofgem’s ability to impose significant financial penalties on any supplier that does not meaningfully engage with the smart meter rollout, we would therefore urge Ofgem to place a greater emphasis on the enforcement of a high quality customer journey through the energy transition post-2020 than the statistics provided at paragraph 3.3 above suggest has been the case under the existing “All Reasonable Steps” obligation.
- 3.5 As a result, CAS supports the proposed requirement for all suppliers to provide Ofgem with a confidential narrative on their performance for the preceding year if it is to be used to ensure that any enforcement action it chooses to take against a supplier is proportionate to the level of consumer detriment caused. This detriment might take the form of missed installation targets or the provision of a poor customer journey during the smart meter installation process. We would, however, also call for an accessible, non-confidential narrative summarising a supplier’s performance for the

¹⁰Oral evidence provided at the BEIS Select Committee Hearing on 30 October 2019;

<https://www.parliamentlive.tv/Event/Index/06508acb-2eeb-4cd4-bad0-6f378bb457a0>

¹¹<https://www.smicop.co.uk/code-of-practice/>

¹²https://www.ofgem.gov.uk/system/files/docs/2019/06/2019.05_open_letter_2019_smart_rollout_plan_s.pdf

¹³<https://www.ofgem.gov.uk/publications-and-updates/edf-energy-pays-350000-after-missing-smart-meter-targets>

¹⁴<https://www.ofgem.gov.uk/publications-and-updates/sse-pays-700000-after-missing-gas-smart-meter-target>

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preceding year and any corrective actions it intends to take for the upcoming year to be made publicly available alongside the milestone reporting referred to above.

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Appendix A

CAS would wish to see suppliers report the following data to Ofgem:

Beginning of Year Reporting Requirements for all suppliers¹⁵

- Total customer base as of 31 December of the preceding year for gas by DNO region or smaller sub-GB geographic identifier
- Total customer base for electricity as of 31 December of the preceding year by DNO region or smaller sub-GB geographic identifier
- Total number of SMETS1 gas meters operating outside the DCC WAN by DNO region or smaller sub-GB geographic identifier as of 31 December of the preceding year
- Total number of SMETS1 electricity meters operating outside the DCC WAN by DNO region or smaller sub-GB geographic identifier as of 31 December of the preceding year
- Total number of SMETS1 gas meters operating on the DCC WAN by DNO region or smaller sub-GB geographic identifier as of 31 December of the preceding year
- Total number of SMETS1 electricity meters operating on the DCC WAN by DNO region or smaller sub-GB geographic identifier as of 31 December of the preceding year
- Total number of SMETS2 gas meters by DNO region or smaller sub-GB geographic identifier as of 31 December of the preceding year
- Total number of SMETS2 electricity meters by DNO region or smaller sub-GB geographic identifier as of 31 December of the preceding year
- Total number of non-DCC enrolled advanced gas meters by DNO region or smaller sub-GB geographic identifier
- Total number of non-DCC enrolled advanced electricity meters by DNO region or smaller sub-GB geographic identifier
- Total number of Qualifying Relevant Premises for gas by DNO region or smaller sub-GB geographic identifier
- Total number of Qualifying Relevant Premises for electricity by DNO region or smaller sub-GB geographic identifier
- Total number of Qualifying Relevant Premises for gas that had requested a smart meter for gas, but who had yet to receive one, by DNO region or smaller sub-GB geographic identifier as of 31 December of the preceding year

¹⁵Some of this data is likely to be commercially sensitive. CAS does not propose that either suppliers or the Authority should place any data that is commercially sensitive in the public domain.

- Total number of Qualifying Relevant Premises for electricity that had requested a smart meter for electricity, but who had yet to receive one, by DNO region or smaller sub-GB geographic identifier as of 31 December of the preceding year
- Calculated annual milestones for gas for the coming year by DNO region or smaller sub-GB geographic identifier
- Calculated annual milestones for electricity for the coming year by DNO region or smaller sub-GB geographic identifier

Additional Beginning of Year Reporting Requirements for large suppliers¹⁵

- Planned split of annual milestone delivery for gas between credit and prepayment customers by DNO region or smaller sub-GB geographic identifier
- Planned split of annual milestone delivery for electricity between credit and prepayment customers by DNO region or smaller sub-GB geographic identifier
- Planned split of annual milestone delivery for gas between domestic credit and non-domestic customers by DNO region or smaller sub-GB geographic identifier
- Planned split of annual milestone delivery for electricity between domestic credit and non-domestic customers by DNO region or smaller sub-GB geographic identifier
- Projected installer capacity, productivity and abort rates for the upcoming year by DNO region or smaller sub-GB geographic identifier
- Key dependencies and risks for the upcoming year

End of Year Reporting Requirements for all suppliers¹⁵

- Annual installation milestones for the preceding year for gas by DNO region or smaller sub-GB geographic identifier
- Annual installation milestones for the preceding year for electricity by DNO region or smaller sub-GB geographic identifier
- Total number of SMETS1 installations at Qualifying Relevant Premises for gas by DNO region or smaller sub-GB geographic identifier
- Total number of SMETS1 installations at Qualifying Relevant Premises for electricity by DNO region or smaller sub-GB geographic identifier
- Total number of SMETS2 installations at Qualifying Relevant Premises for gas by DNO region or smaller sub-GB geographic identifier
- Total number of SMETS2 installations at Qualifying Relevant Premises for electricity by DNO region or smaller sub-GB geographic identifier
- Total number of non-DCC enrolled advanced meter installations at Qualifying Relevant Premises for gas by DNO region or smaller sub-GB geographic identifier

- Total number of non-DCC enrolled advanced meter installations at Qualifying Relevant Premises for electricity by DNO region or smaller sub-GB geographic identifier
- Total number of SMETS1 installations at Qualifying Relevant Premises for gas that had requested a smart meter for electricity, but who had yet to receive one, by DNO region or smaller sub-GB geographic identifier as of 31 December of the preceding year
- Total number of SMETS1 installations at Qualifying Relevant Premises for electricity that had requested a smart meter for electricity, but who had yet to receive one, by DNO region or smaller sub-GB geographic identifier as of 31 December of the preceding year
- Total number of SMETS2 installations at Qualifying Relevant Premises for gas that had requested a smart meter for electricity, but who had yet to receive one, by DNO region or smaller sub-GB geographic identifier as of 31 December of the preceding year
- Total number of SMETS2 installations at Qualifying Relevant Premises for electricity that had requested a smart meter for electricity, but who had yet to receive one, by DNO region or smaller sub-GB geographic identifier as of 31 December of the preceding year
- Total number of non-DCC enrolled advanced meter installations at Qualifying Relevant Premises for gas that had requested a smart meter for electricity, but who had yet to receive one, by DNO region or smaller sub-GB geographic identifier as of 31 December of the preceding year
- Total number of non-DCC enrolled advanced meter installations at Qualifying Relevant Premises for electricity that had requested a smart meter for electricity, but who had yet to receive one, by DNO region or smaller sub-GB geographic identifier as of 31 December of the preceding year
- Total number of smart meter installations where an IHD was not provided

All suppliers should also provide a confidential narrative to the Authority by 31 January which provides context to the reported data and gives reasons for over- or under-performance on any of the reported metrics in the preceding year, together with any remedial action that may be planned to address non-compliance in the year ahead. A non-confidential summary of this narrative should also be published in a suitably prominent place on the supplier's website and issued to all of the supplier's customers by their preferred communication method by 31 January.

Additional End of Year Reporting Requirements for large suppliers¹⁵

- The final split of SMETS1 installations delivered at Qualifying Relevant Premises to credit and pre-payment customers for gas in the preceding year by DNO region or smaller sub-GB geographic identifier



- The final split of SMETS1 installations delivered at Qualifying Relevant Premises to credit and pre-payment customers for electricity in the preceding year
- The final split of SMETS2 installations delivered at Qualifying Relevant Premises to credit and pre-payment customers for gas in the preceding year by DNO region or smaller sub-GB geographic identifier
- The final split of SMETS2 installations delivered at Qualifying Relevant Premises to credit and pre-payment customers for electricity in the preceding year by DNO region or smaller sub-GB geographic identifier
- The final split of annual milestone delivery for gas between domestic credit and non-domestic customers by DNO region or smaller sub-GB geographic identifier
- The final split of annual milestone delivery for electricity between domestic credit and non-domestic customers by DNO region or smaller sub-GB geographic identifier