



Which?, 2 Marylebone Road, London, NW1 4DF
Date: 29th March 2019
Response to: Anna Stacey, Ofgem

Call for evidence response

Potential impacts on consumers following market-wide settlement reform

Dear Anna,

Thank you for the opportunity to respond to this call for evidence.

We agree that settlement reform is a key element supporting the transition towards a smart and flexible future energy system. With such significant technological changes impacting on the energy system, the scope for innovations that can deliver potentially far-reaching benefits in consumer engagement and empowerment is huge. However, in order for these benefits to be realised, we will need to ensure that consumers are able to access these potential benefits and encouraged to take advantage of them.

Smart meters are a critically important enabling factor to achieving both of these aims, as they will provide a platform on which suppliers and other actors can offer next-generation energy-related services.

Given the well-documented problems with the rollout to date - e.g. poor installation experiences, interoperability issues with solar panels, issues of first-generation meters going 'dumb' when customers switch - it is more important than ever that the benefits of smart meters are clearly articulated to consumers. If these negative experiences means that some consumers are put off from installing smart meters altogether, they could potentially be permanently 'locked out' of accessing these potential benefits.

The importance of smart meters as a factor in encouraging engagement with smart-enabled services is underlined by evidence collected through our most recent energy supplier satisfaction survey. As part of this, we incorporated a nationally-representative boost to the sample, which included questions about whether respondents would be interested in particular types of smart-enabled energy services (e.g. time-of-use tariffs, peer-to-peer trading). The results of this are set out in Table 1 below.

There is not much difference between the levels of consumer interest for the various types of services, between those who already have a smart meter installed and those who do not. However, an important difference is the level of interest in 'none of these' services, which is much higher among those without a smart meter (32%), compared to those who already have a smart meter installed (16%). This indicates the importance of smart meters to encouraging consumer interest in smart-enabled services.

In terms of other factors that might affect consumer interest, levels of interest in all types of service declined with the age of the respondent, while conversely those expressing interest in 'none of these' increased. This suggests that more will need to be done to encourage older

consumers in particular to engage with the types of smart-enabled services that settlement reform can help support in future.

Table 1: Consumer interest in smart-enabled energy services

Type of service	% interest among consumers with a smart meter	% interest among consumers without a smart meter
Time-of-use tariff	38%	37%
Selling electricity you have generated or stored to neighbours (i.e. peer-to-peer trading)	20%	16%
Having appliances which can switch themselves on when electricity is cheaper	35%	33%
None of these	16%	32%

Source: Which? Energy Satisfaction Survey 2019, sample of 4,054 respondents weighted to be nationally representative of the UK population, surveyed online in September 2018 (Q: "Which of the below that will be enabled by smart meters in the future would you be interested in?")

Therefore, we encourage Ofgem to work with Government, industry and other organisations responsible for the smart meter rollout (e.g. Smart Energy GB, Data Communications Company) to ensure that the benefits of smart meters (and the smart-enabled services on which smart meters depend) are clearly articulated to consumers. As part of that, all remaining technical and logistical barriers to the rollout of second-generation smart meters need to be resolved as quickly as possible. This will ensure that consumers can realise the maximum benefits offered by smart-enabled services in the future.

Kind regards,

Philip O'Donnell

Head of Policy Analysis

About Which?

Which? is the largest consumer organisation in the UK with more than 1.3 million members and supporters. We operate as an independent, a-political, social enterprise working for all consumers. We are funded solely by our commercial ventures and receive no government money, public donations, or other fundraising income. Which?'s mission is to make individuals as powerful as the organisations they have to deal with in their daily lives, by empowering them to make informed decisions and by campaigning to make people's lives fairer, simpler and safer.