

Ofgem
Electricity retail market-wide half-hourly settlement: consultation

Response from Smart Energy GB
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Any questions regarding this document or any requests for additional information to support this consultation response should be directed to:

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1. Introduction

We welcome the opportunity to respond to this consultation on the introduction of market-wide half-hourly settlement (MHHS) across the electricity market. Smart Energy GB is the national non-profit campaign tasked with engaging consumers in the smart meter rollout.

In December 2013, we launched a programme of research into consumer attitudes to, and engagement with, smart meters. That research programme has continued since 2013, which means that Smart Energy GB now has a robust understanding of consumer engagement with, and needs relating to, the smart metering rollout.

Smart meters play a vital role in creating a smarter, greener and more flexible energy system. They encourage consumers to engage with their energy use and reduce their energy consumption by being more efficient.

MHHS, enabled by the smart meter rollout, will incentivise suppliers to develop tariffs, products and services which encourage consumers to use energy more flexibly. Consumers will be rewarded for using and exporting electricity at times which are beneficial for the energy system. As more of these tariffs and services enter the market, energy use will shift away from traditional peak times which are reliant on fossil fuel energy, to non-peak times which make more use of renewable energy.

It is important, therefore, that we encourage as many consumers as possible to install a smart meter in order to meet our net zero targets and to realise the full benefits of MHHS.

10. What impact do you think the ongoing COVID-19 pandemic will have on these timescales?

The smart meter rollout has been extended until 2025 to ensure that the consumer and wider benefits can be fully realised.¹ As of the 30th June 2020, there were 21.5 million smart and advanced meters operating in homes and small businesses in Great Britain.²

During the COVID-19 pandemic, the rollout paused and we refocused our campaign to provide support to consumers to help them manage their energy bills. ElectraLink data shows that the pause resulted in a sharp decrease in smart meter installations in March and April.

As measures have relaxed, smart meter installations started again and in June there were almost 69,000 installations, which is 25% more than in May. However, this is still 67% less than number of smart meter installations in June 2019.³

Due to the delays caused by COVID-19, energy suppliers have been given an additional six months to reach the target of offering smart meters to all of their customers, pushing the final deadline back to June 2025.⁴

Smart meters enable MHHS by transmitting electricity consumption and export data to suppliers every half hour. In order to maximise the benefits of settlement, suppliers will need access to half-hourly data from as many smart meters as possible. Given the importance of settlement reform, we are keen that MHHS is implemented as quickly as possible. However, we do recognise that the COVID-19 pandemic has put a significant strain on industry this year and that Ofgem may have to balance ambition with pragmatism, when assessing the timescales for delivery.

12. Existing customers currently have the right to opt-out to monthly granularity of data collection. We are seeking evidence about whether it is proportionate to require data to be collected at daily granularity for settlement and forecasting purposes for some or all of these customers. We welcome your views.

We appreciate the need for daily and half-hourly data to be available in order to achieve the system-wide benefits of MHHS. However, we also recognise that some consumers will have concerns relating to data privacy and settlement, albeit not at overwhelming numbers.

¹ Department for Business, Energy and Industrial Strategy, (June 2020), *Delivering a Smart System - Response to a consultation on smart meter policy framework post-2020*

² Department for Business, Energy and Industrial Strategy, (May 2020), *Smart meter statistics in Great Britain: quarterly report to end June 2020*

³ ElectraLink (July 2020), *News – Smart meter installs*

⁴ Department for Business, Energy and Industrial Strategy, (June 2020), *Consultation outcome: Smart meter policy framework post 2020*

Our biannual tracker of attitudes to smart meters, Smart Energy Outlook, found that among the GB population without smart meters, 6% of people surveyed had concerns about privacy with a smart meter.⁵

Currently, existing domestic consumers' half-hourly consumption data can only be accessed by suppliers for settlement if they have given opt-in consent.⁶ The consultation recognises that it may be fair for existing customers to retain this arrangement until they change energy supplier or contract. We believe that there needs to be a balance between achieving the energy system benefits of settlement and protecting the consumers right to choose how often they share their energy use data.

We agree that energy suppliers could use changes of tenancy or supplier to engage with the consumer and check what level of data sharing they are comfortable with. This would serve as an opportunity to make the consumer aware of their data sharing options, and for the suppliers to encourage them to opt in by clearly communicating the benefits of settlement.

Our Smarter Living research⁷ investigated consumer appetite for smart technologies of the future, such as smart appliances and smart time-of-use tariffs. The research shows a general willingness in participants to share their data in return for a service, but people need to be able to trust the service and the person, organisation or company they are sharing their data with. Some consumers will need reassurances to give them the confidence needed to share their data and engage with a new service.

We believe that careful consideration should be given over how reassurances are conveyed, and which organisations are best placed to provide this support.

13. Should there be a central element to the communication of settlement / forecasting and associated data sharing choices to consumers? For example, this may be a central body hosting a dedicated website or webpage to which suppliers may refer their customers if they want more information. If yes, what should that role be and who should fulfil it? We welcome your views.

We agree that there should be a central body to communicate information about settlement.

The Department for Business, Energy and Industrial Strategy (BEIS) recently consulted on widening our behaviour change activities beyond the central focus of encouraging consumers to reduce their energy consumption. The changed objective would enable Smart Energy GB to support consumers to not only reduce their consumption, but to manage it more effectively. We would be happy to host a webpage with consumer information on MHHS as this would fit in well with a broader behaviour change remit.

⁵ Populus commissioned by Smart Energy GB, (November 2019), *Smart Energy Outlook*

⁶ Ofgem, (June 2019), *Decision for access to half-hourly electricity data for settlement purposes*

⁷ Smart Energy GB, (Sept 2017), *Smarter Living*

Smart meters have already enabled suppliers to offer innovations like time-of-use tariffs, which encourage more flexible use of energy. Our Smarter Living research shows that consumers have an appetite for new services and tariffs, but these services need to be communicated effectively.⁸

We published research, *The Smart Future: lifestyle tariffs*⁹, which explores consumer interest in time-of-use tariffs specifically. The report made the following recommendations:

- there needs to be a positive and trusted voice to communicate what time-of-use tariffs are, and the benefits.
- there are a number of smart future benefits that are emerging within the market. It would be sensible for one organisation to cohesively and holistically communicate this to consumers.
- it is of vital importance to communicate to consumers that, whilst there are personal financial benefits to time-of-use tariffs, they will also play a key role in reducing carbon emissions and supporting the energy network.

The report also found that:

- 48% of respondents were not aware of time-of-use tariffs.
- 39% had concerns about taking up a time-of-use tariff.

By acting as a provider of information on settlement we could seek to build consumers' confidence in time-of-use tariffs, where consumers have concerns that can be overcome.

15. Do you have any views on the issues regarding the consumer impacts following implementation of MHHS? Please refer to the standalone paper we have published for more detailed information

We agree that for 'difficult to reach' community members it is important that they can access continual advice and support from a trusted source.

Smart Energy Outlook shows that 5% of the adult GB population are unaware of smart meters¹⁰. The unaware audience are more likely to have additional barriers such as low income, no personal internet access, low literacy or low numeracy. The presence of additional barriers within the unaware audience, and a lack of engagement with traditional media means that these groups will require tailored targeting and engagement to build awareness, ownership and usage of smart

⁸ Smart Energy GB, (Sept 2017), *Smarter Living*

⁹ Smart Energy GB, (2019), *The smart future – lifestyle tariffs*

¹⁰ Populus commissioned by Smart Energy GB, (March 2020), *Smart energy outlook*

meters. Smart Energy GB is well placed to deliver communications to support those who are hard to reach and engage.

Our In Communities Programme was created to ensure that we reach and support people who may be experiencing barriers to engaging with the rollout. We partner with trusted, expert organisations from the voluntary and public sector to ensure that everyone understands the benefits of smart meters. The In Communities Programme has delivered valuable work, partnering with hundreds of local and regional partners, including funding a network of 319 organisations to date. Its success is endorsed, below, by those it engaged with:

Carers Scotland

Patricia Clark, Development and Training Manager

“The partnership funding enabled us to reach many carers in Scotland, face-to-face or online. We were able to give them take home resources and share digital assets in different formats -articles, leaflets, videos and stories. Smart Energy GB also helped us develop our ‘Smart meter’ webpage and regularly sent us news stories and updates that might be relevant to our activities.”

“Carers from more vulnerable households found our sessions on smart meters and energy information useful (see quotes below). This made the project especially worthwhile for us.”

Catherine, 65

“I can see how much energy I have used from my monitor which is really helpful as I can monitor daily, weekly, monthly and annual usage and know if I need to increase my direct debit to cover this especially in the winter months”

The Smart Future: lifestyle tariffs¹¹ report shows that one of the biggest areas of concern for consumers around the introduction of time-of-use tariffs is that they will be forced to change their lifestyle and face inconvenience. In order to address this and appeal to consumers, the report recommends that tariffs should be designed to benefit different types of customers and lifestyles to drive take-up and easily allow, and encourage households to shift load.

The Consumer Impacts paper states that improving the energy efficiency of buildings, along with encouraging consumers to explore flexibility opportunities will be important in order to achieve lower carbon emissions. We echo the calls of organisations such as Energy UK¹² in urging further investment in national energy efficiency programmes as part of the green recovery. Additional investment in energy efficiency will support our transition to net zero, while a consumer focussed approach will ensure uptake and engagement.

¹¹ Smart Energy GB, (2019), *The smart future – lifestyle tariffs*

¹² Energy UK, (June 2020), *Rebuilding the UK economy: fairer, cleaner, more resilient, How the energy transition can drive economic recovery*

Having smart meters can encourage consumers to take further energy saving steps.¹³ Smart meters can therefore be used to support existing programmes such as Warmer Homes Scotland, and to track the performance of energy efficiency and heating measures. Some suppliers are also offering apps that provide energy efficiency feedback and customised home energy reports to aid this.

Smart meter data can also increase the reliability and accuracy of Energy Performance Certificate ratings. Combined with other sources of consumption data (eg. smart thermostats), and internal and external temperature measurements, smart meter data can be used to model the thermal performance of homes. It is vitally important that all consumers are able to get a smart meter installed so that they have the opportunity to make energy efficiency changes in the home, monitor their usage and take proactive steps to meet our net zero target.

Conclusion

We are supportive of the changes coming to the energy markets, and strongly believe they have the potential to transform the consumer experience and energy market for the better. New offers and tariffs will help us to encourage the uptake of smart meters as an enabler of these new offers. However, from our experience of communicating the benefits of smart meters, we know that a trusted voice is needed to clearly communicate the benefits of these new tariffs, and to drive engagement and demand. Wider partnership work will also be required to ensure that everyone can realise the benefits of smart meters and MHHS. We welcome opportunities to engage with Government, the Regulator and other parties with an interest to provide support on this.

¹³ Populus for Smart Energy GB, (May 2019), *Smart meters and energy usage*