



Association for the
Conservation of
Energy

Department of Energy and Climate Change: Smart meter implementation programme: consumer engagement strategy

Response from the Association for the Conservation of Energy

Introduction

The Association for the Conservation of Energy was formed in 1981 by major companies active within the energy conservation industry, in order to encourage a positive national awareness of the needs for and benefits of energy conservation, to help establish a sensible and consistent national policy and programme, and to increase investment in all appropriate energy-saving measures. We welcome this opportunity to submit our views on the Interim Report of the Hills Fuel Poverty Review.

For further information please contact:

Introductory comments

We would begin by raising the strategic point of the apparently inexorable rise in the costs due to be incurred by this programme. When initially mooted, the total delivery cost was cited at just £6bn. In the ensuing five years, this estimate has grown exponentially.

The latest estimated total programme cost figure, provided on May 30 by the Chief Operating Officer of Energy –UK, has now reached £17bn¹. In gross terms, this equates to expenditure of over £700 per household.

Given that the overwhelming beneficiaries of such a roll-out programme are the energy companies themselves (via eradication of meter reading and telephone-bank staff, as well as improved despatch efficiency), it will be incumbent upon OFGEM as the regulator to ensure that practically all of this capital costs of this programme are not permitted to be passed onto consumers, in particular vulnerable consumers.

The extent to which these benefits are shared with householders, particularly vulnerable householders is entirely dependent on the two main communication interfaces: householder engagement and the in-home device. ACE is concerned that the specification for the in-home devices to be used by energy suppliers would allow devices to be provided that deliver unclear and even incorrect information. Perhaps the most important thing the device must do is provide the householder with instant and up to date information on the costs of the energy they are using and this MUST tally with the bill they receive at the end of the period.

Introduction

Q1. Are these the right aims and objectives (paragraphs 2.12 – 2.13) against which to evaluate the Government's consumer engagement strategy for smart metering? Please explain your views.

ACE is in agreement with the broad aims of the strategy. We would suggest that integration of the smart meter roll out with the range of other schemes and initiatives that can offer assistance to households, particularly fuel poor, low income and vulnerable households, should be added to the list of aims. The roll out of smart meters provides an opportunity through in which every home will potentially be visited and householders will be engaged on energy management issues, this valuable opportunity to identify householders' needs and the assistance available to them must not be missed.

Obvious schemes for the roll out to consider must be the Warm Homes Discount, Affordable Warmth element of the ECO, and a host of schemes offered by partner organisations which may be available on a national or area specific basis including home energy efficiency advice, the Scottish and Welsh home insulation schemes (arbed, NEST, the universal home insulation scheme and the EAP), services available through the local health service, and even broadband roll out in remote areas.

¹ NEA/Saudi Aramco European Energy Policy Conference, London

Effective consumer engagement

Q2. What are your views on focusing on direct feedback, indirect feedback, advice and guidance and motivational campaigns as behaviour change tools? What other levers for behaviour change should we consider? (See also Appendix 1.)

No comment

Q3. What are your views on community outreach as a means of promoting smart meters and energy saving behaviour change?

As alluded to in our response to Question 1, local organisations will have a key role to play in providing outreach help, particularly to low income and vulnerable households. They also have a key role in bundling the services available to each household receiving a smart meter in order that the expected benefits can be realised and that the valuable engagement opportunity is put to full use for the benefit of the household.

Q4. Have the right evidence requirements been identified for Foundation learning? What other evidence or approaches to research and trialling might we consider?

No comment

Delivering consumer engagement

5. What are your views about the desirability of the Programme, or other independent parties, making available information on different suppliers' installation packages and their impacts? When might this best be introduced?

It is essential that information on the different suppliers' installation packages and the relative impacts of the approaches be collected and made available for evaluation. This is essential material from which to generate learning in the early stages of the scheme to ensure that best practice is promoted as the roll out continues.

It is also essential that the transparency of all public programmes delivered through energy suppliers, and paid for through energy bills, is improved.

This information must be collected at the earliest possible opportunity.

6. Do you agree that a centralised engagement programme, established by suppliers with appropriate checks and balances, is the most practical solution given other constraints? If not, what other practical alternatives are there?

ACE agrees that a centralized engagement programme is necessary and desirable and that energy suppliers can be expected to contribute to its financing.

ACE feels very strong however that the Central Delivery Body, responsible for the centralized engagement and messaging, should be entirely independent of the energy suppliers. Clearly the CDB must work closely and communicate effectively with the suppliers but needs to maintain independence to allow it to have the desired role in promoting best practice and to achieve the public

confidence necessary for it to offer additionality. Public confidence in the central messaging around the smart meter roll out is essential to its success this will be difficult to achieve if these messages are not truly independent from the energy suppliers.

An independent brand for these communications must only represent an independent organization (see Q22). The central messaging brand must not be established simply to circumvent the poor reputation and damaged brands of the energy companies.

The smart meter roll out is a public policy and the CDB must reflect the aims of this policy. If it is not entirely independent from the energy suppliers it will, in reality, reflect the aims of the suppliers in the roll out. The aims of the suppliers can not be expected to be entirely in line with the aims of public policy.

7. Do you think that suppliers should be obliged through licence conditions to establish and fund a Central Delivery Body or would a voluntary approach be preferable?

In order to establish the CDB in the independent form outlined in the response to Question 6, it will likely be necessary to oblige suppliers through the licence conditions.

8. What are your views on the proposed objectives for the Central Delivery Body? Are there any additional objectives which should be included?

ACE is in broad agreement with the objectives for the CDB. In order to ensure that the Body continues to develop our understanding of attitudes and drivers and to establish which parties are best placed to engage households (objectives 1 and 2) the CDB must also be charged with a further objective – to promote learning from experience and the universal uptake of best practice. This will be particularly relevant in the Foundation stage.

9. What are your views on the suggested activities for the Central Delivery Body?

In order to deliver against the additional objective set out in our response to Question 9, the CDB must also monitor and assess suppliers' roll-out plans, engagement strategies and activities, identifying effective engagement practice and promoting elevated levels of customer service as the roll out continues.

This body is also uniquely placed to monitor whether the engagement of householders is leading to the expected benefits to householders being accrued.

10. Do you have any views on mechanisms for monitoring progress and holding suppliers to account in delivering objectives?

In order to hold suppliers to account for their practice and for delivering against their objectives, it is essential for the CDB to have complete independence. A Body that does not have complete independence and considerable authority will have no power to hold its funders to account.

11. How can we ensure sufficient effort and funding to achieve the objectives is balanced against the need to keep costs down?

The CDB must have a clear business plan, developed in consultation with the energy suppliers but signed off by the independent expert panel and Board, and its budget must be defined as adequate to the tasks and objectives therein. The budget must be secure for an adequate period (ie, 3-5 years)

12. Do you think contracting an existing organisation or setting up a new Central Delivery Body would be a workable mechanism for delivering consumer engagement? What are the advantages and disadvantages of these two options?

Contracting an existing body would appear to offer significant benefits over the establishment of a new body. An existing body with a track record of independence and robust evidence gathering may be more powerful than a new organization established for the task. In addition, extending the responsibilities of an existing organization may be less costly than establishing a new organization.

Existing organisations that have long experience of assisting vulnerable customers include National Energy Action, Consumer Focus and Citizens Advice Bureau.

13. Do you think the objectives and activities of the Central Delivery Body described here will help deliver the aims of the consumer engagement strategy (see paragraphs 4.32 – 4.33)? Please explain your views. Do you have any alternative suggestions?

14. How can we ensure that the Expert Panel attracts a sufficient level of expertise?

Only by ensuring that the CDB is independent and its governance structures are strong enough to ensure that the input of the Expert Panel is acted upon will the panelists of the necessary level of experience and expertise be attracted. If the CDB, through the form of its establishment be weakened or do little more than provide a neutral brand through which the suppliers can circumvent their own damaged brands, the right caliber of expert will not be attracted.

15. Do you foresee any conflicts between this approach (particularly when structured in accordance with the information provided in the rest of this chapter) and competition law? If so, what are these and how might they be addressed?

No comment

16. Do you have any other comments on how a governance framework could be designed to ensure the appropriate balance as described in paragraph 4.35?

It is essential that the Board is populated by experts in the relevant areas and is not dominated (over 50%) by the energy suppliers, their contractors, delivery agents or representative bodies.

17. What role should smaller suppliers have, if any, in setting up a delivery mechanism for central engagement? What should the ongoing relationship between small suppliers and the central delivery mechanism be?

Many smaller suppliers have already stated a keen interest in rolling out smart meters at the earliest opportunity. It will be in their interests that the reputation of the roll out does not suffer from poor customer experiences delivered by the worst agents.

Small suppliers should therefore be able to take part in the CDB and have the same responsibility to deliver their roll out plans and engagement strategies to the Body as the larger suppliers. However, in order to minimize the impact on these smaller suppliers they should not be required to contribute to the budget of the CDB.

18. What role, if any, should network companies and communications service providers have in central engagement?

No comment

19. Do you agree that the timings for the creation of a Central Delivery Body as set out above are achievable? Please explain your views.

Although it is difficult to see how the timescales could be brought forward, it is essential that the CDB is up and running, monitoring and deriving learning from the smart meter roll-out as soon as possible.

20. What are your views on the need for the Central Delivery Body to establish an outreach programme?

Establishing and playing the role of a central hub for an outreach programme is one of the most important roles of the CDB. It is key to the successful engagement of householders that partners and representative organisations are engaged in the plans and that these organisations have a channel through which they can input.

Working with relevant partners and representative organisations will be essential to helping vulnerable customers engage positively with the roll out. In particular these organisations could be key to coordinating the additional support that may be available to households to make best (and most cost effective) use of the engagement opportunity.

There are huge risks to the smart meter roll out, in particular for vulnerable, low income and fuel poor households. These risks exist not only around the engagement and installation process but also around the negative impact that a visual reminder of energy use might have on over-rationing of energy. Partners that are already engaging with groups can be key to reducing these risks.

21. Should there be requirements for suppliers to share roll-out plans with the Central Delivery Body, and for the body to take them into account?

Yes, all suppliers involved in the roll-out, including smaller suppliers, should be required to deliver their roll-out plans to the CDB. The CDB should also have the power to flag up concerns with the plans.

22. Is there value in such a brand and if so, when should it start to be visible? Should suppliers or other stakeholders be able to use the brand on their own (non-central body) smart meter communications and if so, on what basis?

There is substantial value in an independent brand for the roll out. However, an independent brand should only be established if it represents the activities of a truly independent organization and its messages. Therefore, the CDB must be completely independent of the energy suppliers in all decisions on its strategy and activities.

Individual energy suppliers should only be able to use the brand alongside their own if they have delivered their roll out plans to the CDB and the Body has found no issue with them.

23. Do you agree that the licence conditions as drafted in Part A effectively underpin the policy intention to require energy suppliers to form a Central Delivery Body? Please explain your views.

The suppliers must be required to fund a CDB but its establishment, strategy and objective setting, and decision making must be independent of the suppliers. Of course, clear and open channels of communication and consultation must be in place between the Body and the energy suppliers.

24. Do the licence conditions as drafted give the Central Delivery Body sufficient separation from suppliers to achieve the policy objectives as set out above? Do you have any specific comments on the Constitution, Members and Directors, and Independence sections of the licence conditions?

The proposals do not give the CDB sufficient independence from the suppliers to provide the sort of additionality in terms in independent, trusted messaging and in terms of the ability to monitor and assess engagement practice to pull out best practice. The CDB must have a governance structure that is completely independent of the energy suppliers.

25. Do you agree with the way the objectives are drafted in the licence conditions? Should they be more or less detailed?

No comment

26. Do you agree that the licence conditions as drafted underpin the policy intention with regard to the expert panel? In particular, do they correctly identify the types of expertise required, and give sufficient clarity and detail on the purpose, role, independence, membership and operation of the Expert Panel? Do you agree that the Secretary of State should approve the process for appointing the Panel?

ACE is concerned that the requirement for the CDB to 'consult and consider the views' of the expert panel may not give this panel enough influence to attract and keep the right level of expertise and experience.

The expertise on this panel must include not only consumer protection but representatives with expertise in engaging multiple vulnerabilities, expertise in the responses of the fuel poor to energy use and internal temperatures and in engaging different consumer groups on energy efficiency improvements.

27. Do the licence conditions effectively underpin the policy intention of the functions of the CDB? Are there any additional functions that you think should be included in the legal drafting? Please explain your views.

28. Do you agree with the form and content of the Engagement Agreement as drafted in the Licence Conditions? Please explain your views.

29. Do you agree that the licence conditions as drafted effectively underpin the other duties of suppliers in relation to the Central Delivery Body? Are there any other duties that should be

included? Please explain your views.

30. Do you have any other comments on the licence conditions which have not been covered by the previous questions? Are there any unintended consequences we can anticipate?

31. Do you think there are any consequential changes to existing licence conditions or codes which are needed in order to make the proposed obligations work as intended? Please explain your views.
The non-domestic sector

The non-domestic sector

32. What are your views on the state of the energy services market for non-domestic consumers and its future development?

33. Do you agree that information on current smart and advanced metering would be useful to non-domestic customers in the short term? Is there other information that could usefully be provided at the same time?

Information on energy efficiency opportunities and on the Green Deal would be useful. The SME sector in particular has historically been underserved by energy efficiency programmes.

34. Should the central delivery arrangements proposed in Chapter 4 extend to micro-businesses? What are your views on any centralised activities focussing on micro-businesses alone?

Yes

35. What changes might be required to the licence conditions at Appendix 2 to address the needs of the non-domestic sector?

Enabling wider changes to the energy system and market

36. What are your views on whether the Government should, in due course, alter energy efficiency incentives in the light of new opportunities arising from smart metering? How might any such incentives operate?

ACE firmly believes that Government must enable and in some cases require the smart meter roll out to integrate with energy efficiency programmes and energy efficiency support to fuel poor households. Only by integrating these two initiatives can we ensure that the benefits of the smart meters scheme are full realised and are shared fairly between households and energy suppliers. The engagement of every household, in particular low income and vulnerable households as part of the roll-out must also be put to best use for their benefit.

Practice, either mandated or voluntarily generated must develop whereby households that are engaged for the installation of their smart meter should also be checked for eligibility for all national and local energy efficiency, income support and energy price support schemes. Households that do not have adequate heating controls should also be provided with assistance to install controls. Without the ability to control heating use and temperature the presence of the in-home display will provide nothing more than a reminder of uncontrollable expenditure to households without heating controls.

Finally, the smart meter roll out provides a perfect opportunity to assess the actual impact of green deal packages of measures on energy use and energy expenditure. In the early stages of the Green Deal, energy use data collected through smart meters could provide invaluable information that could influence adjustments to energy saving calculations to ensure the scheme works as it is intended to, maintaining its good reputation. If a smart meter were installed at the same time as Green Deal packages, the householder could be invited to join a monitoring scheme providing this essential data.

