

## *Consultation response*

Ref 1212

# Smart Metering Implementation Programme: Consumer engagement strategy

June 2012

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This consultation from the Department of Energy and Climate Change recognises that if the smart meter roll-out programme is to achieve the benefits of reducing domestic energy consumption, it must have consumer acceptance. It makes a number of proposals to ensure this happens and that any risk to the success of the programme is minimised. This is a Great Britain issue.

## Key points and recommendations

- It is absolutely vital the Government monitors the cost of the programme and takes action if it considers they are not being kept to a minimum. Government should also monitor the energy consumption reduction it produces and whether suppliers pass on their savings from the programme to their customers. This information should be made public.
- If low income households are to benefit from the programme, the smart meter roll-out should go hand in hand with a serious commitment from Government to embark on an energy efficiency programme that will fuel poverty proof the majority of the housing stock.
- We agree that the involvement of trusted third parties is crucial in getting public understanding and support for the programme, particularly that of vulnerable households.
- It is critical to the success of roll-out that there is co-operation between suppliers on the information programme and we strongly support the proposal to have a central communications facility which will produce uniform information using the same language and consistent messaging. We also agree this should also undertake responsibility for engaging the voluntary sector.
- We think there are advantages to this being a new, rather than an existing body.
- We do not think the body would be able to fulfil its responsibility for outreach functions if it did not have access to information about the supplier's roll-out programmes.
- The central body should be sufficiently funded to pay the voluntary sector for help in delivering the programme.
- It is important that there is only one communication organisation. It would create confusion if small suppliers were to set up a different communications organisation.

### 1. Introduction

- 1.1 Age UK welcomes the opportunity to comment on proposals to ensure there is consumer engagement in the roll-out of the installation of smart meters. Given the current level of mistrust energy companies are held in by the public, we think even greater care needs to be taken to ensure this does not lead to public cynicism about the smart meter roll-out programme. This is why the programme should not be seen by suppliers to be a 'commercial opportunity'. It should be seen as an operational process that could lead to commercial opportunity in the future - such as, for example, the introduction of competing time of use tariffs.



- 1.2 We think there are parallels between the smart meter roll-out programme and the very successful digital television switchover which is now nearing completion. Whilst recognising there are clear differences, there are elements that contributed to the success of switchover that could be applied to smart meter roll-out.
- 1.3 Two obvious differences are firstly that Digital UK (DUK) was the sole, commercially dis-interested implementer of digital switchover programme. This meant DUK could provide a uniform information and advertising campaign including a national logo that minimised any consumer confusion. Smart meter roll-out will be implemented by competing energy companies and there is a danger that each energy company will provide its own information with its own logo and different messaging.
- 1.4 Secondly digital switchover was conducted on a regional basis. This enabled DUK to successfully engage the support of the voluntary sector in each region which we think was a key factor in their success. Unfortunately it has been decided that the smart meter roll-out programme cannot be done on an area basis and we think this will make it much harder for them to involve the voluntary sector in the programme.

## **2. Question 1: Are these the right aims and objectives?**

2.1 We support the high level aims outlined in paragraph 2.12 and the objectives as outlined in paragraph 2.13 of the document. However, we think it is important that the Government establish whether any consumer behavioural change in reducing their energy consumption is sustained in the long term and whether there is any difference in the reduction in consumption in the short term as compared to the long term. We think this could be added to the first bullet point.

## **3. Questions 2 – 4: Consumer engagement**

3.1 We consider the direct feedback that will be offered by the In House Displays (IHDs) is critical in educating consumers on the energy consumption of different appliances which may result in consumers changing their usage habits to reduce their consumption. We are delighted that the Government has appreciated the importance for older and disabled people that the IHDs should be usable for them and that usable IHDs should be provided as part of the roll-out process.

3.2 As we have said in paragraph 1.5 above, we agree that the involvement of trusted third parties is crucial in getting public understanding and support for the programme, particularly that of vulnerable households. Their support will be essential if vulnerable households are to benefit from the programme by reducing their consumption and hence their energy bills. We think many local Age UKs may be interested in participating in the process just as they have in the digital switchover process.

3.3 Achieving behavioural change is very difficult. Government has realised this and is planning to do considerable research to improve their understanding of the most effective way to get behavioural change before the start of the national roll-out programme in 2014. We support the proposals for research outlined in paragraphs



3.8 to 3.25 which will greatly add to the understanding of the needs and motivations of different types of consumer.

#### **4. Questions 5 to 31: Delivering consumer engagement**

4.1 We have no objection to the Programme or other independent organisations making information available to the public on the installation packages and their impacts offered by each supplier. We think this could be particularly relevant with regard to the usability of IHDs. In the digital switchover programme, the Government contracted Ricability to publish reports on televisions, aerials, pre-recorders and set top boxes with particular emphasis on their ease of use. The latter included how easy it was to set up the equipment and to use the remote control and the on screen television guide.

4.2 It is very important that the smart meter roll-out should have uniform information available on a national basis. It is particularly important that the messages and terminology are the same. We strongly support the proposal that suppliers should set up and fund a central communications centre to provide this information. This is how DUK was set up which is funded and owned primarily by the public service broadcasters.

4.3 We do not think it necessary to success to give this function to an existing body which could cause consumer confusion. If anything we can see advantages in creating a new body with the sole remit of smart meter roll-out provided it is adequately resourced. By having sufficient funding to provide advertising and information materials on a national basis, DUK, although new, became a recognised brand among the general public most of whom probably did not realise it was funded by the broadcasters. We think the same could happen with regard to the central body set up for smart meter roll-out.

4.4 We have been encouraged that suppliers seem to have accepted the need for such a body so it is disappointing the Government consider it may be necessary to introduce a licence requirement to make them set up such a body. However, the important thing is that it is set up and funded by suppliers and if a licence condition is necessary then so be it.

4.5 We support the objectives and activities this body should undertake as outlined in paragraphs 4.32 and 4.33 of the document and particularly welcome giving it the responsibility for engaging the voluntary sector. The latter are time poor and are more likely to get engaged in the programme if contacted by one organisation than if they were approached by individual energy suppliers.

4.6 We do not think the body could carry out its outreach duties if it did not have access to information about supplier roll-out programmes. In addition, there must be sufficient funding in the central body's budget to pay for the services of the voluntary sector in delivering the programme.

4.7 We do not want to see a separate communications organisation set up by small suppliers although we can understand the reluctance to impose a licence condition on them. A separate organisation is likely to create consumer confusion. We see no reason why smaller suppliers would not want to be part of the central



communications body. Given the body will be funded by suppliers it seems unreasonable to exclude them from being Board members. However we do not think every supplier could be a Board member since, to be effective, the Board numbers should be limited. The big six energy suppliers could be represented by Energy UK and small suppliers could choose one amongst themselves one Board member to represent them.

4.8 We support having a panel of experts set up to advise the central body on how best to undertake their activities and do not consider there would be a problem in attracting the right personnel. However, suppliers will have few incentives to reduce the cost of implementing the programme since this will automatically be recouped from consumers. We think there is a need for the Government to actively monitor the costs and outputs of the central body and to take any action should they consider the costs are not being kept to a minimum.

## **5. Question 36: Enabling wider changes to the energy system and market.**

5.1 We are pleased to note in paragraph 6.5 of the document that the Government is 'most concerned' that 'low income consumers who may be struggling to maintain an adequate level of heating particularly those who are most vulnerable' should benefit from the programme. However, we have some concerns about how some low income older households will be able to reduce their energy consumption any further without risks to their health. Recent research conducted by Age UK<sup>1</sup> on the coping habits of older people living on a low income showed they saw energy and food as essential and put a very high priority on ensuring they can afford to pay for their energy and food needs.

5.2 However, the research found that due to the recent increase in the costs of energy and food, they were worried about continuing to be able to afford to pay. They considered they had already reduced their energy needs to a minimum and one participant commented that if things became worse, food was the only thing left for them to cut down on. The coping strategies ranged from only having the heating on for two hours a day, keeping the thermostat down to putting on extra clothes indoors, going to bed early and spending more time in a smaller room in winter.

5.3 We can see the smart meter roll-out programme could help suppliers identify households that would be eligible for the Affordable Warmth element of the Energy Company Obligation. However we think the amount of money for this programme is woefully inadequate to meet the needs of the fuel poor. The smart metering programme should go hand in hand with a serious commitment from Government to embark on an energy efficiency programme that will fuel poverty proof the majority of the housing stock.

## **6. Monitoring and evaluating the consumer engagement strategy**

6.1 As outlined in paragraph 4.8 above, we are concerned that the costs of roll-out should be minimised. We think there will be a risk to consumer engagement if there is some doubt about the benefits they will realise compared to the costs of

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<sup>1</sup> Older people living on a low income. Age UK. February 2012

implementing the programme. It is absolutely vital the Government monitors the cost of the programme, the energy consumption reduction it produces, whether suppliers pass on their savings from the programme to their customers and makes this information public. It should take action if it considers suppliers are not keeping their costs to a minimum.