

## **Carillion Energy Services Response to the Consultation on the Smart Metering Consumer Engagement Strategy**

Carillion welcomes the opportunity to respond to the Department of Energy and Climate Change Consultation on the Smart Metering Consumer Engagement Strategy. In order to put our comments into context, it may be helpful to outline briefly our role in the provision of energy services across the UK and Ireland.

Carillion is one of the UK's leading support services companies with a substantial portfolio of Public Private Partnership projects and extensive construction capabilities. The Group has annual revenue of over £5 billion, employs around 46,000 people and operates across the UK, in the Middle East, Canada and the Caribbean.

Carillion Energy Services, a division of the group, is a leading independent energy services provider and one of the largest installers of renewable technologies and domestic heating services in the UK. We currently operate within the Private, Domestic, Social and Commercial market sectors offering a wide range of energy efficient renewable technologies and domestic heating services to our customers. CES has the ability to source responsive funding solutions, design & implement a customer centric offering and deliver the installation of required measures with the support of an established supply chain network.

We manage Warm Front on behalf of the Department of Energy and Climate Change and we also have experience of managing fuel poverty and energy efficiency schemes throughout the United Kingdom. In addition to these programmes we deliver the Switchover Help Scheme on behalf of the BBC we have extensive knowledge of assisting vulnerable and hard to reach customers.

Carillion Energy Services is committed to helping the environment and combating climate change; as referred to above we have a history of providing energy efficiency and renewable energy solutions to private housing and social housing and we will be increasing our activity in these sectors as well as expanding our commercial energy services offer taking a total energy management approach.

Within our Carbon Services team, we support the largest number of area-based programmes in the UK, leveraging multiple funding sources to accelerate delivery against policy objectives and drive the Government's climate change and carbon reduction agendas. Our work with the UK's major utilities and energy suppliers allowed us to deliver a total carbon saving of 6.2 million tonnes from energy saving measures and products in 2011.

Carillion Utility Services works with a number of major utility companies providing a range of infrastructure services including the installation of electricity and gas meters. We have been installing smart meters through a number of trials since 2008.

**Responses to individual consultation questions:**

- 1. 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.**

Carillion Energy Services believes that Government has identified the correct aims and objectives by which to evaluate the proposed consumer engagement strategy for smart metering. The three aims outlined in the Consultation are interdependent and should be given equal weighting, though success in one specific area will of course be beneficial to achieving the other aims. The more specific objectives outlined in the Consultation, when implemented, will provide the means to achieving the broader aims.

- 2. 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.)**

We support the behaviour change tools outlined in the Consultation though we recognise that there are significant behaviour change mechanisms that are out-with the scope, namely regulatory interventions to shape the market, and consumer incentives/disincentives whether fiscal or otherwise. As the roll-out of smart meters progresses and becomes accepted as a result of the measures above, we support introduction of incentives and potentially market interventions, which will be most beneficial in the context of broader energy efficiency policies such as Green Deal and ECO.

Carillion Energy Services is an experienced provider of energy efficiency advice and targeted area based motivational campaigns through our management of Warm Front, CERT and CESP funded programmes, and our delivery of the Switchover Help Scheme. Our experience indicates that a wider array of engagement tools, repeatedly implemented by a range of organisations, is most successful in capturing the attention of consumers.

Building on our experience, we are also installing a high efficiency building level heating system, Ecopod, which incorporates a bespoke building management system that allows us to develop our use of indirect feedback. The building management system provides real-time (direct) feedback to the system operator, which can then be used intelligently to provide tailored indirect feedback to residents, by using consumption and internal temperature information. This has been shown to be successful thus far in reducing consumption for residents in tower blocks, who pay a fixed charge for their heating. As a result of this charging structure, some residents did not regulate their consumption at all due to the perception that their individual charge would remain constant and that their pattern of usage would have no effect on consumption collectively in the building. Once their consumption was compared with others in the building and residents were able to appreciate that their consumption directly affected the total overall charge, they were willing to change behaviour, such as using heating timers and not opening

windows when using the heating<sup>1</sup>. We have seen similar results in the non-domestic sector, where it has been shown that ongoing support and monitoring of building energy performance encourages best use of installed technology. Indirect, comparative feedback can therefore be a useful tool to increase awareness of and gradually shift societal and household norms, though we look forward to the transformation that could be achieved through mass roll-out of IHDs as a provider of direct feedback, which is currently rare, particularly in the domestic sector.

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

We wholly support community outreach as a mechanism to promote smart meters and drive behaviour change and look forward to trialling of this in the Foundation Stage. Community based motivational campaigns that we have participated in, such as the Chale Community Project,<sup>2</sup> working with Southern Housing Group and the Ellen MacArthur Foundation have been fundamental in engaging a range of householders, some of whom are likely to be hard-to-reach customers who may not have responded to centralised advertising campaigns or advice. We concur with the view that careful consideration must be given to the conveyor of the message, with community based groups and social media being viewed as more highly trusted than central Government or traditional authority figures, as outlined in Consumer Focus' *Green Deal or No Deal* report<sup>3</sup>. Furthermore, if positive messages are conveyed by members of the community, this is likely to increase the personal relevance and salience of messaging, since individuals are more likely to identify with someone who is perceived to be like them – e.g. someone in their community.

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

We are supportive of the defined evidence requirements for the Foundation Stage, and we particularly welcome the potential to explore synergies with Green Deal, ECO, and micro-generation, however, as these policies will all be in their infancy concurrent with the Foundation Stage, it may be difficult to transpose any findings to mass roll-out as the wider energy efficiency policy landscape may have significantly moved on by this point.

We welcome focusing on specific customer groups, such as low-income households, vulnerable groups, and those on pre-payment meters. However, we would caution against ascribing these groups a homogenous set of needs, as a variety of more nuanced attitudes will exist within these groups. An existing example of this would be the Priority Services Register – many of the households eligible for the PSR do not require the services it offers. In contrast, as the Consultation acknowledges, there are likely to be other groups that face barriers from benefiting from smart metering, such as those

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<sup>2</sup>[http://www.carillionenergy.com/sites/default/files/documents/Eaga\\_Chale%20Village\\_Case\\_Study.PDF](http://www.carillionenergy.com/sites/default/files/documents/Eaga_Chale%20Village_Case_Study.PDF)

<sup>3</sup> Green Deal or No Deal: building consumer confidence in energy efficiency services. Consumer Focus, March 2011.

that speak little English, or have low levels of literacy and/or numeracy. These groups are relatively unrepresented within the consumer energy market, compared with groups traditionally deemed to require assistance, such as those who are elderly, on a low-income, or who have a disability. Though there will doubtless be some cross-over within these groups, energy efficiency and fuel poverty policies have not historically been directly targeted towards at the former groups, therefore suppliers and third-party organisations have less experience of practical methods of engagement. We would therefore support work in this area in the Foundation Stage and would be happy to share our experience managing the Switchover Help Scheme, where targeting a defined eligibility based catchment of vulnerable groups has received a response rate of 50%, and a consistent opt-in rate of between 10-15%. This has been achieved through an exceptional level of community outreach work, partnering with representatives from third sector and local government organisations, who are already going into the homes of their vulnerable residents and have built strong long-term relationships.

We also welcome DECC's anticipation of the concerns consumers are likely to have and we particularly welcome that consumer agency on use of data should be paramount, unless subject to a regulatory requirement. In order to promote competition, and therefore pass on the wider long-term benefits of smart metering, it is important that all parties operating in the energy services arena have equal access to data to avoid suppliers gaining unfair competitive advantage, undermining choice for consumers. This issue will become increasingly important once the market develops and there is increased demand for tailored installation packages and differentiated post-installation products and services.

Furthermore, access to and treatment of consumer data could 'make or break' the success of the programme. If data is utilised intelligently to help consumers reduce their bills by changing consumption patterns and enabling a range of flexible tariffs, consumers are likely to be supportive. However, if these benefits are not communicated appropriately, consumers are likely to become concerned that installation of a meter and subsequent use of data is an intrusion designed mainly to benefit energy suppliers.

- 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?**

We appreciate the rationale for the Programme or other parties to make information available that differentiates suppliers' installation packages; however, we are concerned that this may be confusing for consumers if presented too early in the roll-out. Once consumers generally understand what they should expect from smart meter and IHD functionality, it would be more appropriate to provide advanced information on tailored packages.

- 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?**

Carillion Energy Services appreciates that it is not practical for the DCC to take on the role of the Delivery Body at this stage. We recognise the need for a centralised engagement programme and believe it is acceptable for this to be supplier funded, given that suppliers are set to be among the key beneficiaries from smart-metering. The need for checks and balances is clear however, given the split incentives energy suppliers have to reduce consumption.

An alternative approach would be a directly Government funded body, which would arguably be more equitable than a supplier funded model, where costs would be passed on through all customers' bills.

**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?**

Carillion Energy Services has no strong preference in this regard; we recognise that a voluntary approach could be implemented more quickly and would be more cost effective, ultimately resulting in lower costs passed on to consumers. However, a stronger regulatory approach would have more robust powers to hold suppliers to account on delivery.

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

We agree with the proposed objectives for the Central Delivery Body though we would like to see further guidance on how the proposals will be achieved in respect of vulnerable consumers. Due to the scale of smart meter roll-out, the range of barriers consumers face is likely to be more diverse than the well-represented vulnerable customer groups, who are already offered extra support through initiatives like Warm Front, and the Warm Homes Discount. More targeted intervention may be required to address these barriers and suppliers may need to establish a specific organisation to assist these groups, similar to the Switchover Help Scheme. However, we recognise that any such scheme will ultimately be passed on through energy bills; therefore a balance must be struck between achieving the different aims of the strategy, which at times, may be in conflict (indirectly levying funding through all consumers' energy bills may undermine general public support; failing to do so could undermine attempts to include vulnerable consumers).

Although we appreciate that DECC do not intend to prescribe the activities that the Delivery Body will undertake, the objectives outlined in the Consultation, and in the draft licence conditions, have very little focus on how delivery will be implemented for any of the objectives and we would welcome more detail in general.

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

We agree with the suggested activities for the Central Delivery Body though as Government does not intend to prescribe specific activities, there is considerable scope for these activities to shift as the programme develops. As outlined above, it would be reassuring to learn more about how delivery will actually be implemented.

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

We agree that work should continue with suppliers and third party organisations to assess which combinations of interventions are successful, building on the work of the Energy Demand Research Project. We support the continued focus on both quantitative energy consumption data and qualitative information on consumer attitudes, which are perhaps the most important factor underpinning smart metering. We look forward to the forthcoming publication of the monitoring and engagement strategy expected later in the Spring.

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

We would expect that the Central Delivery Body will be funded proportionately by suppliers' market share. We acknowledge that a balance must be struck between achieving value for money and ensuring the Body is sufficiently resourced. On the one hand, a voluntary approach may be helpful in reducing costs; however, a regulatory approach with mandatory funding requirements could subsequently be introduced if the existing arrangements were not deemed to be adequate.

**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 incur lower initial costs and would build on the skills and experience of the existing organisation. An existing organisation would still be able to retain many of the features of a newly created Central Delivery Body, such as publication of progress, formal consultancy with industry experts and independence from suppliers.

**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?**

We agree that the suggested objectives and activities of the Central Delivery Body tie in well with the high level aims of the consumer engagement strategy; however, we would like to see further detail on how the Body will implement these objectives, particularly given that the non-prescriptive role that DECC will have. This may be particularly important for vulnerable groups.

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

We would recommend that the Expert Panel constitutes a broad range of individuals who are members of consumer organisations, NGOs, business groups, and academics with expertise in the field of behaviour change.

**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?**

No comment.

**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?**

We would support voluntary participation for small suppliers within the Central Delivery Body and we agree that mandatory participation would be undesirable as this could create a barrier for new entrants.

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

We recognise the need for a coordinated approach and we therefore support inclusion of network companies and communications services providers' role in engagement, whether they opt to offer funding and long-term support for the Central Delivery Body or whether they are engaged by the energy companies on an ad hoc basis where necessary.

**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.**

We have no issues with the proposed timescale for creation of a Central Delivery Body.

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

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As per our response to question 3, we wholly support community outreach and coordination with locally based organisations and we believe it is important for the Central Delivery Body to fulfil an outreach function to ensure overarching consistency of messaging and direction when engaging with multiple third parties. We recognise that suppliers will undertake discrete

engagement and outreach activities; however, it would remain beneficial for third party groups to have access to support from an independent body.

**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?**

We support requirements for suppliers to share roll-out plans with the Central Delivery Body as far as possible without disclosing commercially sensitive information.

**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?**

We strongly believe there is value in creating a Central Delivery Body brand as we have seen with Digital UK, and with the Switchover Help Scheme branding. Consumer trust in energy companies is low and centralised branding will help to overcome this, as well as providing a recognisable singular identifier for the Programme, which will help to underpin its universal nature. We would support suppliers and stakeholders utilising dual branding in order to demonstrate that installation services and products are differentiated but are backed by the Government roll-out. This approach has been successful under the Warm Front scheme where we have contacted potentially eligible households in conjunction with the relevant local authority, with Warm Front, Carillion, and Council branding visible.

**We have no comments in response to questions 23-31 on draft licence conditions.**

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

The energy services market for the non-domestic sector is significantly more developed in terms of energy monitoring and provision of direct and indirect feedback than the domestic sector, whereas there remains significant apathy towards energy saving products and services, as we have seen from the difficulties encountered hitting delivery targets under subsidised schemes such as CERT and CESP. Domestic consumers are generally unwilling to fund energy efficiency products and services, especially if no tangible measures are being installed, or the true value of measures is not recognised due to historic availability of subsidies. In the non-domestic sector, however, there is considerable engagement with reducing energy demand in buildings, as there is a clear business case for this, which is increasingly being adopted by facilities managers. Furthermore, public buildings are increasingly acting as exemplars to pioneer low-carbon micro-generation and energy efficiency products.

There is also a considerable focus on providing ongoing feedback and support for new non-domestic buildings, in order to reduce the gap in building performance as designed and as occupied. Energy consumption is a major

area where this performance gap is an issue, and ongoing post-occupation support, assisted by both direct accessible feedback from smart-type meters and ongoing work with building occupiers to ensure they can make best use of the technology, allows potential savings to be realised.

Whilst large multi-site organisations with dedicated facilities management are able to engage with energy efficiency and demand reduction, we would agree that small and micro-businesses do not have similar resources to devote to energy management both in terms of staff and funding. These organisations are also less likely to have access to capital and therefore may be unable to take full advantage of available measures, though we anticipate that Green Deal may overcome this barrier to a degree. For this reason we believe that there is considerable potential for further engagement within this sector and for small businesses to learn more about their energy consumption from smart metering and for this to be a vital way in to provision of further energy services and products.

We recognise the need to maintain consumer trust during the meter installation visit and that consumers should not feel pressured into purchasing products on the spot, however, this must be balanced with the need to maximise the opportunity for on-site engagement, particularly since future opportunities may be limited. As such, in the non-domestic sector, we would support a less restrictive attitude to sales and marketing activity, particularly since non-domestic consumers should be considerably more accustomed to procuring services and agreeing contracts.

**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?**

We agree that information on current smart and advanced metering would be helpful for non-domestic customers in the short term and provision of this information should be explicitly linked to Green Deal and RHI to raise awareness of other policy instruments that exist to encourage non-domestic customers to reduce their consumption if they are being provided with the means to understand their energy use.

**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?**

We have no view as to whether the function of the Central Delivery Body should extend to micro-businesses or whether a standalone organisation should exist, provided substantial consideration is given to the needs of micro-businesses, whichever option is selected. It would be inappropriate, however, not to give micro-businesses any separate consideration from domestic consumers.

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

No comment.

**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?**

We would support introduction of energy efficiency and demand reduction incentives arising from smart metering as the technology could enable changes to existing micro-generation policies, for example, as greater understanding of demand and grid capacity could enable flexible generation tariffs.

We would also support linking increased understanding of energy consumption to Green Deal as more detailed information could enable the assessment process to be more precise and tailored to actual rather than modelled consumption. However, at present, Green Deal is at a nascent stage and it is difficult to predict what the baseline level of demand will be with the incentives that have already been discussed, therefore it is not yet clear how further incentives arising from smart-metering would operate.

If use of the IHD is maximised post-installation then increased engagement and understanding of consumption could encourage take-up of energy efficiency measures in itself. Nevertheless, it will require continued effort and commitment to ensure consumers reach the stage where both use of smart-metering technology and the benefits of insulation measures are appreciated given the current level of consumer apathy.

We would also expect that smart-metering will allow for the creation of dynamic demand tariffs and technology that will incentivise smarter, more efficient use of the network. At this point, however, we would expect that these products and services will be developed by the market rather than through Government intervention.