

DECC – Smart Metering Implementation Programme

Licence conditions for a Code of Practice for the installation of
smart electricity and gas meters: a consultation

Carillion Energy Services – Background

Carillion Energy Services welcome the opportunity to respond to the DECC Consultation on licence conditions for a Code of Practice for the installation of smart electricity and gas meters.

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 Energy Services was formerly Eaga plc prior to its acquisition by Carillion in April 2011. 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 are a leading independent energy services provider and one of the largest installers of renewable technologies and domestic heating services in the UK. We currently manage Warm Front on behalf of Department of Energy and Climate Change and we also have experience of working for the Welsh Assembly Government on the Home Energy Efficiency Scheme, the Warm Homes initiative in Northern Ireland and the Central Heating and Warm Deal programme in Scotland. We also worked closely with Utilities and Local Authorities in managing the delivery of energy efficiency programmes.

Carillion Energy Services are committed to helping the environment and combating climate change; we provide renewable energy solutions to private housing, specifically through the installation of solar thermal panels and air/ground source heat pumps. Our Clean Energy Programme works in conjunction with the Government's Feed-in-Tariff to install solar photovoltaic panels on social housing properties, we are working with a number of social landlords to provide free electricity to social tenants and

have completed over one thousand installs to date. Over 1000 properties have benefited from the Clean Energy Programme due to our partnership with social housing properties.

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 carbon saving of 11.9 million tonnes of Carbon Dioxide and 1.7 million innovative energy saving products in the financial year 2009 / 10.

For further information on Carillion Energy Services and our work across the principal market sectors of Defence, Education, Health, Facilities Management

& Services, Rail, Roads, Building, Civil Engineering and Utilities Services please visit – <http://www.carillionplc.com/>

Response to individual questions

- 1 Are the overall objectives set out in the draft licence conditions appropriate?**

Carillion Energy Services agrees the objectives are appropriate in aiming to ensure customers have a positive experience of smart-meter installation and that they are adequately protected.

- 2 Would the licence conditions as drafted effectively underpin:**
- a) the intended roles of Ofgem and suppliers in establishing and reviewing Code(s) of practice for domestic and micro-business sites?**
 - b) an appropriate ongoing governance regime for the Code(s) of Practice?**
 - c) the intended arrangements for monitoring and compliance with Code(s)?**

Carillion Energy Services agrees that the draft license conditions generally effectively underpin the respective roles of suppliers and Ofgem in establishing and reviewing the code(s) of practice for

domestic and micro-business smart metering installations. The proposed license conditions allow for an adequate ongoing governance regime and clearly state the requirements suppliers must adhere to.

Appropriate monitoring procedures from suppliers will not only assist Ofgem with assessing compliance but will also assist suppliers to review the roll out of their individual programmes.

Whilst it is important to ensure that monitoring and compliance processes do not place undue regulatory burden on smaller suppliers or new market entrants, this must be balanced with clear understanding of what is expected from suppliers or their agents to achieve compliance.

3 Should the licence conditions underpinning a domestic Code also be applied to smart-type meters, or should the Government work with suppliers to secure voluntary application of Code provisions?

Mandatory application of the licence conditions for a domestic Code to smart-type meters would safeguard consumer concerns surrounding marketing practices, reasonable expectation of installation experience, understanding of the benefits of the equipment, and access to further energy efficiency information. This approach would provide reassurance to early adopters of smart-metering and would assist Government's wider Smart Metering Consumer Engagement Strategy that is to be consulted on. However, application of the licence conditions to smart type meters may detriment suppliers' roll-out of such meters on a commercial basis if what constitutes a smart type meter is not clearly defined. Additionally, suppliers currently install smart type meters on a consumer demand-led basis, entirely different in nature from a universal Government mandated programme and therefore it could be argued that compulsory application of all parts of the code may not be appropriate.

4 Would the licence conditions as drafted effectively underpin the policy intention that the costs of the installation of smart meter systems should be reflected over time in customer's energy bills, with no upfront or one-off charges?

Carillion Energy Services agrees that that the license conditions underpin the policy intention that the cost of installing smart meters is recouped over time from customers' energy bills with no up-front charges except in circumstances where a customer requests installation of a meter that performs above the minimum standard

specified in the technical specifications. It is also important to ensure, however, that costs passed on to consumers over time are justifiable and do not disproportionately affect low-income households that typically spend a higher percentage of household income on energy costs. Such households must achieve maximum benefit from smart metering to ensure they do not lose out. Furthermore, cost estimates of the smart-meter roll out need to be accurate as this will be vital to consumer engagement. If the eventual costs passed on to consumers to install smart meters exceed the potential savings consumers can achieve through behavioural change, this would massively undermine engagement in the programme.

Concerns have been voiced by Which?, Consumer Focus and members of the Public Accounts Committee that the cost of smart-meter roll-out may not be driven down by market forces alone as there is some scepticism that a market that has been attacked as 'uncompetitive' will perform any differently in respect of smart meter roll-out¹. Should the projected costs of smart meter roll-out be exceeded, consumers will require reassurance that excessive costs will not be passed on through energy bills. Imposing a specific cut-off date in 2019 may cause suppliers to rush to meet this date to avoid incurring penalty; however, a more flexible, phased approach to completion may be more orderly and could avoid extra costs.

5 **2. Do you agree with our definitions of sales and marketing?**

Carillion Energy Services agree with the discrete definitions of sales and marketing, however, as sales activity can be a direct result of marketing activity, the two remain linked. Therefore, Government is correct to be cautious in its approach to this subject, especially in light of previously identified problems consumers have faced when engaging with energy suppliers in their homes, such as mis-selling of tariffs.²

Equally though, a cautious approach must be balanced with adequate provision of energy efficiency advice and information and we would like suppliers' representatives to feel confident in distinguishing between advice and marketing.

We suggest that a parallel with proposed Green Deal assessments could be drawn, whereby suppliers could independently advise on a

¹ <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/uc1617-i/uc161701.htm>

² <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmenergy/1046/104603.htm#a5>

comprehensive range of appropriate energy saving products and services that may benefit an individual property, without this being considered marketing. However, the representative should also explicitly identify those specific products and services that are offered by the individual supplier as this would constitute marketing as per the proposed definition. Such customers who had not granted prior consent to marketing activity would not receive verbal information in this form but could still be presented with marketing in written format only should they have further queries as to how they could research or purchase additional goods and services.

We are satisfied that consumer protection surrounding entering into a supply contract, for example, for a time of use tariff, is already included in Standard Licence Condition 25 (Marketing Activities).

6 Do you agree that prior written consent should be required for any face-to-face marketing or sales activity during the installation visit?

Whilst it is important that suppliers or their representatives attain consent from customers for face to face sales or marketing activity prior to installation, Carillion Energy Services does not believe this should necessarily be in written form. Allowing for written consent only may create an unnecessary administrative burden and may delay the customer journey up to installation.

Ideally, customers should be able to indicate consent when making an appointment for installation whether this is in writing, over the telephone, or online. Existing data protection checks practised by contact centres coupled with measures such as routine call recording would likely be sufficient evidence of consent having been granted or refused by a customer. Integrating consent to sales and marketing activity with an appointment phone call also provides an automatic opportunity for the customer to discuss any concerns and to make an informed decision.

7 Are any other measures required to protect consumers' interests in relation to sales and marketing during the installation visit

Carillion Energy Services is satisfied that the draft licence conditions, existing standard licence conditions and existing consumer protection legislation safeguards consumers' interests during installation.

However, consumer protection must be considered post-installation, particularly in regard to use of data. We support that more energy data will be held by third parties, inside and outside of the supply chain. We feel the use of this data by third parties will help signpost vulnerable customers to other sources of advice and support on energy efficiency such as access to ECO funding. It is imperative to the programme's success; however, that data is secure and is only used for purposes associated with improving energy efficiency for consumers.

The ability for a wide range of organisations to access data, with customers' approval, will allow for greater early take up of the scheme benefits. It is clear that although energy companies are the main drivers of the meter changes, that a far wider audience should have access to support customers in saving energy. Such an approach will benefit business, consumers and Government. By allowing selected organisations access to data (contingent upon demonstrable ability to hold secure data, in addition to clearly defining how the data will be utilised), this will ensure energy suppliers do not monopolise the subsequent opportunities linked with smart metering and will increase competition.

Furthermore, by allowing trusted third parties, such as businesses or local authorities, access to data, consumers will be able to exercise wider choice when selecting organisations to offer energy efficiency advice or implementation of measures. Finally, Government carbon reduction and energy efficiency policies could be more easily achieved if trusted organisations can utilise customer data for targeting. Consumers report a very low level of trust in energy suppliers to the extent that suppliers are unable to give away energy efficiency measures free of charge due to high levels of disengagement. A variety of other businesses, local authorities, and social enterprises do not face this problem to the same degree, therefore empowering these groups to deliver well targeted energy efficiency solutions could be crucial for Government.

8 Would the licence conditions as drafted and/or existing rules deliver the policy intentions on customer information and advice, vulnerable consumers, avoiding undue inconvenience and complaint-handling?

The licence conditions as drafted stipulate that suppliers must provide complete and accurate information regarding the smart metering installation process and the benefits the technology can bring. It is important that consumers are provided with useful energy efficiency information and advice in order to maximise potential savings.

The installation visit presents a number of opportunities to create synergies with other Government programmes, such as Green Deal, and the potential to involve customers in other initiatives must be embraced. We accept that customers must have given prior consent for any sales or marketing activities to take place, however, certain activities, such as home energy audits, could fall outside this remit, provided they were offered at no cost to the consumer and consisted of an independent assessment of **all** possible measures, not simply those products and services offered by a particular supplier or their agents. This assessment could serve as a catalyst for a customer to engage with Green Deal and to take out measures

Provided customers have expressed consent for sales and marketing activity, suppliers' representatives, if they are appropriately accredited, could offer official Green Deal assessments at the point of installation of the smart meter. This may reduce the perceived 'hassle factor' of Green Deal by combined multiple functions in a single householder visit.

A pitfall of this approach, however, is that energy suppliers and their agents will have a unique opportunity to access almost every home in Great Britain through the roll-out of smart metering. Other Green Deal providers, including SMEs, will not have such an opportunity, and may therefore be unfairly competitively disadvantaged. This could be overcome, to a degree, by third-party access to data.

Vulnerable customers already have a degree of additional protection through Standard Licence Condition 26, which states licensees must agree to a variety of requests free of charge, for example, agreeing passwords for face to face representatives to use, ensuring pre-payment meters are physically accessible, providing information in a variety of formats, and maintaining a priority service register. However, these measures, excepting the priority register, are contingent upon customer request, which may not be appropriate for some of the most vulnerable customers who are simply unaware that such concessions can be made. We would therefore suggest that suppliers or their agents offer such assistance to all vulnerable

customers prior to installation to ensure the best possible installation experience, which will benefit the wider reputation of the programme. We welcome that consideration of these issues has already been given some consideration in section 3.6 of the draft Code of Practice published by the Energy Retail Association³

Nevertheless, vulnerable customer groups may require targeted additional help and support beyond the measures detailed above. This may concern, but is not limited to, understanding and application of the smart metering equipment and In Home Display. Elderly customers particularly may be unfamiliar with such technology and suppliers or their agents may need to invest more time in helping these customers to benefit from their smart-meter. This assistance could be provided in the form of a targeted help scheme similar to the Digital Switchover Help Scheme operated by Carillion Energy Services for the national roll-out of digital television. The scheme provides a tailored installation and aftercare service, including customer education, which is delivered by advisors and installers who have been specifically trained to work with vulnerable groups on a daily basis.

The implementation of smart metering will allow suppliers to remotely disconnect customers due to non-payment; it is incumbent upon suppliers to ensure that the existing safeguards in Standard Licence Condition 27 regarding disconnection of vulnerable households in winter are maintained. We would therefore propose that all reasonable attempts are made, including a mandatory home visit, to establish household composition prior to any disconnection.

Carillion recognises that the reputation of the roll-out depends upon its reputation among consumers and we welcome inclusion that no undue inconvenience must be caused to customers. Not only will this cause nuisance to customers, inefficient administration by suppliers will drive up costs of the programme, eventually adversely impacting consumers via increased energy bills.

Carillion Energy Services understands that the Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 already provide a statutory obligation on suppliers to address complaints effectively, however, it is important to note that consumer issues specific to smart metering are likely to arise during the implementation process. These may include barriers to switching supplier caused by lack of interoperability between appliances and issues surrounding data security. Additionally, if suppliers are not obligated to apply the Code of Practice to 'smart type' meters, early adopters, who are possibly more susceptible to falling victim to unforeseen initial

³ Available at <http://www.energy-retail.org.uk/resources/>

problems with the scheme, may find themselves without satisfactory redress.

- 9 Do you agree that, for the purposes of the non-domestic code, the sites to be covered should be defined as a business with no more than 10 employees or their full-time equivalent, an annual turnover that does not exceed €2 million, or consumes less than 50MWh of electricity a year or less than 200MWh of gas a year?**

Carillion Energy Services has no views.

10 Would the licence conditions as drafted effectively underpin the policy intentions with respect to non-domestic consumers on customer information and advice and undue inconvenience?

Micro-businesses should be able to reasonably expect the same quality of advice and information as will be provided to domestic customers and they should equally be protected from undue inconvenience. The licence conditions underpin these intentions in a similar manner to their application in the domestic sector; however, particular attention should be focused to undue inconvenience. In addition to unwelcome hassle caused by undue inconvenience in the domestic sector, there is increased potential for unacceptable levels of inconvenience to have a negative financial impact on businesses.

The licence conditions stipulate that complete and factual advice should be provided regarding the functions and benefits of the smart meter, in addition to wider energy efficiency or supply information. The provision of such information lends itself to joining up with policy areas such as Green Deal in a similar manner to the domestic draft licence conditions; however, the wider range of metering and supply options available to the non-domestic sector needs to be taken into account and it is perhaps arguably important for distinctions between the sectors to be made clear by the creation of two separate codes.