

Consultation response

Ref :5811

Smart Metering; Licence conditions for a Code of Practice for the installation of smart electricity and gas meters

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This consultation from the Department of Energy and Climate Change proposes what licence conditions for energy suppliers should be introduced to cover their behaviour when installing smart electricity and gas meters. This will provide the regulatory framework which will be supported by a more detailed code of practice currently being drawn up by the Energy Retail Association (ERA). Age UK is responding separately to the concurrent ERA consultation on this detailed code of practice.

Key points and recommendations

- We are concerned about the complete lack of guidance in these licence proposals on the governance of the code of practice and think there is an urgent need to include specific provisions in the final licence conditions.
- We would like to see a requirement to have at least one consumer organisation involved in the governance framework as well as Ofgem, even if it is thought more appropriate that Ofgem should have observer category.
- We would like to see something more specific in the proposed objectives that relate to the need to ensure the installer leaves the premises having made good any damage the meter installation may have caused and that they have set up and clearly demonstrated how to use the IHD.
- We think the installer should leave written information about sources of independent energy efficiency advice and possible sources of help for funding the installation of energy efficiency measures.
- There is no point in having a Code if suppliers are not required to have adequate monitoring and compliance arrangements. The licence conditions should contain provision that suppliers should standardise what they will monitor with the agreement of Ofgem and this will also contain the frequency suppliers should report their monitoring results to Ofgem.
- There should be provision in the licence conditions that Ofgem can impose financial sanctions against suppliers who do not comply with the code of practice.
- Since there is nothing in the current draft proposals that proposals for a change to the code received from a consumer organisation needs to be implemented, we think it is very important in the consumer interest that Ofgem retain the responsibility to ensure consumer concerns have been addressed as part of their review.
- We think there should be some time limit specified between the time suppliers receive proposals for changes to the code of practice and their submission of a revised code to Ofgem for approval.
- The Age UK position is there should be **no** sales **or** marketing activity taking place at the meter installation visit.
- If it is decided to allow sales and marketing activity, this should only take place where the householder has given prior and explicit written agreement which must be obtained separately for sales activity and marketing activity. This consent must be given on an opt in rather than an opt out basis.

1. Introduction

1.1 Age UK is pleased to respond to this consultation. Whilst we were not convinced of the cost benefit of the mandatory installation of smart meters, now the decision

to do it has been made, we are particularly concerned to ensure the consumer experience at the point of the smart meter installation is a good one. This is particularly important given the official cost benefit analysis is based on 40% of the benefits being derived from changing consumer behaviour by encouraging them to reduce their energy usage.

1.2 This percentage is an ambitious one. If it is to be achieved, it is critical consumers receive a positive experience at the installation visit. The visit must ensure that every household understands the programme and how the In House Display (IHD) can help them to reduce their energy consumption. Similarly the visit should leave sufficient information about how to install energy efficiency measures.

1.3 We have been pleased to have been a member of Ofgem's, and now the Department of Energy and Climate Change's (DECC), Consumer Advisory Group, particularly as this consultation includes many recommendations we have made as part of this group. We are however concerned about the complete lack of guidance in these licence proposals on the governance of the code of practice and think there is an urgent need to include specific provisions in the final licence conditions.

2. Are the overall objectives set out in the consultation appropriate?

2.1 We appreciate that the proposals in this consultation are intended to provide a relatively high level framework on what the licence conditions should contain with more detailed requirements being in the Code of Practice currently being consulted on by the ERA. However, we would like to see something more specific in the proposed objectives that relate to the need to ensure the installer leaves the premises having made good any damage the meter installation may have caused and that they have set up and clearly demonstrated how to use the IHD.

2.2 Whilst our views on marketing and sales will be set out in our answers to Questions 4, 5 and 6 below, we think the installer should leave written information about sources of independent energy efficiency advice and possible sources of help for funding for them.

2.3 In order to clarify the objectives we recommend the following changes to the current bullet points in paragraph 4 of the document.

- the second bullet point should have the additional sentence:- 'This should include making good any damage the installation may have caused.'
- the third bullet point should have the additional sentence:- 'This should include setting up and clearly demonstrating how to use the In House Display.'
- there should be an additional bullet point in the objectives that reads:-The installer should leave written information that gives sources of independent energy efficiency advice and schemes that may help the householder to install energy efficiency measures.

3. Question 2. Do the conditions as currently drafted effectively underpin the respective roles of Ofgem and suppliers in reviewing the

Code of Practice, provide an ongoing governance regime and the arrangements for monitoring and compliance?

3.1 We have failed to find any reference to the governance of the Code in either the consultation or the draft licence conditions. We think this is an important issue that needs to be addressed and some requirements covering guidance should be included in the final conditions. As part of this, we would like to see a requirement to have at least one consumer organisation involved in the governance framework as well as Ofgem, even if it is thought more appropriate that Ofgem should have observer category.

3.2 While we understand that the Code's monitoring and auditing arrangements should be proportionate, we equally think there is no point in having a Code if suppliers are not required to have adequate monitoring and compliance arrangements. Nor does there seem to be any sanctions proposed should some suppliers not conform. We do not think the proposals currently given in the draft licence conditions are at all adequate in this respect.

3.3 We note there is no reference to the role of consumer organisations in this question. Our concern is not helped by the fact that in Annex 2 which contains the draft licence proposals, the only reference to consumer organisations is to the National Consumer Council which of course ceased to exist with the creation of Consumer Focus in 2008. We assume the final licence conditions will replace National Consumer Council with Consumer Focus although it should be remembered that it is the Government's intention to abolish Consumer Focus by 2014, the year designated for the start of the national roll-out of smart meter installations.

3.4 It is imperative, particularly in the early stages of roll-out, that the Code is closely reviewed and updated quickly in the light of the actual experience of roll-out. While suppliers may receive proposals from the 'National Consumer Council', the licence framework does not require them to be implemented. We think it is very important in the consumer interest that Ofgem retain the responsibility to ensure consumer concerns have been addressed as part of their review.

3.5 We are also concerned that there appears to be no deadline for suppliers to meet between receiving proposals for changes and implementing a revised code of practice by submitting revisions to Ofgem. Because we think updating in the light of experience is so important in keeping consumer confidence in the programme, we think there should be some time limit specified between the time when suppliers receive proposals for changes to the code of practice and their submission of a revised code to Ofgem for approval.

3.6 We think the licence conditions should require there be some standardisation of what suppliers should monitor and how often and that this should be devised with the agreement of Ofgem. The conditions should also state how often suppliers should have to report their monitoring results to Ofgem. There should also be some reference to the sanctions Ofgem can invoke against suppliers who do not comply with the Code.

4. Question 3. Should the licence conditions underpinning the Code also be applied to smart type meters or should there be a voluntary application of Code provisions?

4.1 We are concerned that some suppliers such as British Gas have embarked on their roll-out programme of smart type meters prior to the consumer protections being in place. As far as we are concerned, the overall objectives of ensuring a good consumer experience of installations are exactly the same, and just as critical to the success of the roll-out whether the meter installed is smart or smart type. We completely reject the suggestion that the installation of smart type meters should have a separate code of practice and maintain that they should also be subject to the same Code of Practice that will apply for smart meter installation.

5. Questions 4 to 6 Sales and marketing activities at the installation visit.

5.1 While we understand that there will be some people who would welcome the opportunity to discuss energy efficiency measures in more detail at the time of the visit, the Age UK position remains there should be **no** sales **or** marketing activity taking place at the meter installation visit. Our concerns arise particularly because older people are known to be susceptible to pressure selling in their homes.

5.2 Sadly while there are consumer protections against pressure selling in the home, these do not seem to have had the required effect. In September 2011, the Office of Fair Trading (OFT) published the results of their market investigation into the mobility aids market which is aimed mainly at older people. Their findings found that sharp selling practices were adopted by a minority of companies and that these were virtually the same as those they had found when doing a similar market survey in 2003. A recent OFT report on off-grid energy also reported evidence of misselling of microgeneration technologies.

5.3 Further, energy suppliers have a very poor track record with misselling in their doorstep selling activity and this has been a problem virtually since liberalisation was introduced in 1996. It should also be remembered that Green Deal will be launched in 2012 so will be well established by the national roll-out of smart meters in 2014. Clearly the suppliers will have an additional commercial incentive to sell their Green Deal offers as well as tariffs at the point of the meter installation. We also think examples of misselling or pressure selling would seriously undermine the credibility of the roll-out programme. We have no objections to the installer leaving written marketing material but would like to see this include independent sources of energy efficiency advice.

5.4 However if it is decided to allow sales and marketing activity, this should only take place where the householder has given prior and explicit agreement and this must be obtained separately for sales activity and marketing activity. It is imperative this consent is obtained on an opt in rather than an opt out basis. We do not agree that conducting surveys and questionnaires should be allowed on the basis they are not a marketing activity. We think they could be turned into a marketing and sales activity and that surveys and questionnaires should only be undertaken where the household has given prior consent to research activity.

5.5 We do not disagree with the definition of marketing as opposed to sales activity in this consultation. However, we think there is a difficult divide between where marketing ends and a sale begins. We think that in general most consumers would not necessarily understand the difference.

5.6 With such an important programme as smart meter roll-out we do not think it is sufficient to rely on suppliers' staff being aware of existing consumer protection. In any case, a code of practice should also be available to consumers, many of who do not know their rights when it comes to selling in the home. We think the code should spell out what is prohibited, pressure selling for example, in existing consumer protection legislation.

6. Question 7. Would licence conditions as currently drafted and existing rules be sufficient to cover other areas?

6.1 We agree any customer complaints about the smart meter installation should be covered by the current complaints requirement for energy suppliers. Given the complexity involved in smart meter roll-out it is possible the complaint may not be the fault of the supplier. However we think most consumers will contact their supplier in the event of a problem. We think the supplier should be the main point of contact regardless of fault and undertake to resolve all consumer complaints even where these are the fault of another party.

6.2 We think the installation should be an opportunity to improve the data records of suppliers. For example we think the installer should establish whether the household is eligible to be on the Priority Service Register. This will also assist the supplier when deciding whether it is appropriate for that particular household to be switched to a pre-payment meter or be disconnected.