Department
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Climate Change

Smart Metering Implementation Programme

Government Response to the Consultation on the Consumer Engagement Strategy

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Contents

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Executive Summary

The national roll-out of smart meters will bring significant benefits to consumers, but many of these benefits will only be fully achieved if consumers are effectively engaged.

The importance of consumer engagement to the delivery of consumer benefits was recognised by the publication of the Government Consultation on a Smart Metering Consumer Engagement Strategy in April 2012. The Government was grateful for the fifty-six responses received to the proposals in this Consultation, as well as for the participation of stakeholders in a series of workshops.

Respondents' views have been taken into account in the development of the Government's conclusions on the different elements of the Consumer Engagement Strategy. For example, the Strategy's aims have been modified to reflect the fact that it will contribute to the delivery of consumer benefits other than energy savings, and to include reference to pre-payment consumers in recognition of the specific engagement needs of this group. The aims of the Strategy are now as follows:

- build consumer support for the roll-out, by increasing confidence in the benefits of smart meters and by providing reassurance on areas of consumer concern;
- facilitate the realisation of consumer benefits, by building acceptance of the installation of smart meters and by helping consumers to use smart metering to manage their energy consumption; and
- ensure that vulnerable, low income and pre-payment consumers can benefit from the roll-out.

In order to better understand how to achieve these aims, the Smart Metering Implementation Programme (the Programme) has reviewed a wide selection of available evidence to better understand what constitutes effective consumer engagement in the context of smart metering. This review has confirmed the Consultation position that there are four main levers of energy saving behaviour change:

- direct feedback in near real-time;
- indirect feedback;
- advice and guidance; and
- motivational campaigns.

These levers will be used by the different parties involved in delivering consumer engagement during Foundation Stage and mass roll-out.

The Government has also confirmed the position that reassurance on areas of consumer concern, promotion of positive consistent messages, and countering of misinformation, will contribute to encouraging acceptance of smart meters. It will, therefore, continue to take action in each of these areas.

Although the Programme has reviewed an extensive evidence base, understanding effective engagement is a complex issue and the Government is, therefore, committed to continuing to review and test this area through a programme of Foundation Stage learning. This will include gathering early insights into consumer benefits and how they may differ by consumer type; measuring awareness and attitudes towards smart meters; and learning more about what works in changing energy consumer behaviours.

Having established what needs to be done to engage consumers, the next step is to determine who is best placed to deliver consumer engagement. The Government has concluded that suppliers will have the primary consumer engagement role as the main interface with the consumer pre, during, and post-installation. However, it has also concluded that supplier engagement needs to be supported by a programme of centralised engagement undertaken by a Central Delivery Body (CDB). The Body will be funded by larger suppliers, with small suppliers contributing to fixed operating costs.

Larger suppliers will be required by Licence Conditions to set up the CDB and to be accountable for ensuring it delivers the following objectives:

1. To build consumer confidence in the installation of smart meters.

2. To build consumer awareness and understanding of how to use smart meters and the information obtained from them.

3. To increase consumer willingness to use smart meters to change their behaviours so as to enable them to reduce their energy consumption.

4. To assist vulnerable, low income and pre-payment consumers to realise the benefits of smart metering systems while continuing to maintain an adequate level of warmth and meet their other energy needs.

Licence Conditions will contain a requirement for the CDB to be set up by the larger suppliers by June 2013. In view of the importance of the CDB's activities in building acceptance and support for smart meters, and the desire across stakeholders for early action, the Government has brought forward the proposed dates for the publication of the first Consumer Engagement Plan, Performance Management Framework and Annual Budget. These must now be produced by the end of 2013, rather than March 2014. The first Annual Report must be published by the end of March 2014.

The CDB will be governed by a Board that will consist of Directors nominated by and representing: larger suppliers; smaller suppliers; relevant non-domestic suppliers (micro-businesses) and consumer groups. DECC and network operators will be able to attend Board meetings as observers.

Third party trusted messengers, such as charities, consumer groups, community organisations, local authorities and housing associations, will also have an important role to play in delivering effective consumer engagement. The CDB will want to facilitate and coordinate this involvement of third parties, but Government will have a role in preparing these organisations for working with the CDB.

The national roll-out of smart meters will extend to certain non-domestic sites,[1] as well as households. Non-domestic consumers represent a disparate sector, and one which also needs to be effectively engaged if the roll-out is to be successful. The Government has concluded that individual suppliers, the energy services sector, the CDB and Government should all have roles to play in non-domestic consumer engagement.

As with domestic consumers, suppliers will again have the key role in engaging non-domestic consumers pre, post, and during installation. The CDB will initially focus on engaging micro-businesses, in anticipation that suppliers and the energy services sector will support other non-domestic consumers in reducing their energy usage. To that end, its objectives will apply to non-domestic micro-business consumers as well as domestic consumers, but only where domestic engagement material can be cost-effectively adapted and supplemented to meet micro-business engagement needs. More evidence will be collected on the non-domestic market during Foundation Stage, and we will widen the CDB's remit to encompass other businesses covered by the roll-out if this proves necessary.

Smart meters will provide a platform for other energy policies and initiatives. For example, they will support the Green Deal by encouraging choices which increase the energy efficiency of the home. We also expect suppliers to consider how they can bring together obligations to deliver initiatives such as the Affordable Warmth element of the Energy Company Obligation with the smart meter roll-out. The Government is considering how consumer engagement can exploit these synergies and intends to initially progress this area by gathering more evidence and potentially undertaking tests and trials.

Ongoing Programme monitoring and evaluation (for example, of installation rates and consumer impacts such as energy savings) will help the Government to assess whether the Consumer Engagement Strategy's aims are being met. An early assessment project will provide one of the main means of assessing the success of the Strategy during Foundation Stage. The methodologies developed and used during this stage will be built on during mass roll-out to provide an ongoing means of understanding the impacts of consumer engagement during this period and to inform whether further action is required to realise consumer benefits and to achieve the aims of the Consumer Engagement Strategy.

[1] Defined as those non-domestic sites in electricity profile classes 3 and 4, and those with gas consumption below 732 MWh per annum.

1. Introduction

1.1 The Government's vision is for every home and smaller businesses in Great Britain to have smart electricity and gas meters. The roll-out of smart meters will play an important role in Britain's transition to a low-carbon economy and help us meet some of the long-term challenges we face in ensuring an affordable, secure and sustainable energy supply.

1.2 The Government has established the Smart Metering Implementation Programme to deliver this vision. In March 2011, the Programme produced the Smart Metering Prospectus Response.[2] This set out a range of policy conclusions, including a commitment to develop an effective Strategy for consumer engagement, which would help deliver the Programme's expected benefits.

Purpose of the document

1.3 In April 2012, the Government met its Prospectus commitment and consulted on proposals for a Consumer Engagement Strategy.[3] This document is the Government's response to that Consultation, and it constitutes the Government's Smart Metering Consumer Engagement Strategy. It sets out the aims of the Consumer Engagement Strategy, the Government's conclusions on what constitutes effective engagement, and a delivery framework for domestic and non-domestic consumer engagement. It also examines how consumer engagement could help exploit synergies between smart metering and other energy efficiency policies and initiatives, and describes how the implementation of the Strategy will be monitored and evaluated. For each issue, the document sets out the Consultation positions and proposals, respondents' evidence, the Government's conclusions and next steps.

1.4 In this Government Response document, the term Consumer Engagement Strategy should be taken as referring to the Government's high level framework for delivering effective consumer engagement that maximises consumer benefits and protections. The Programme will work with stakeholders to produce a more detailed Delivery Plan to support the implementation of this Strategy. It is also expected that industry and other parties will develop their own more detailed Consumer Engagement Plans.

1.5 This Consumer Engagement Strategy does not represent the beginning of the smart meter consumer engagement journey. It builds on work that has already been undertaken by Government and suppliers to build awareness of smart meters and to address any consumer concerns that may arise.

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[2] DECC and Ofgem (2011): Smart Metering Implementation Programme: Response to Prospectus Consultation (http://www.decc.gov.uk/assets/decc/Consultations/smart-meter-imp-prospectus/1479-rollout-strategy-smart-metering.pdf)

[3] DECC (April 2012): Smart Metering Implementation Programme: Consumer Engagement Strategy Consultation Document (http://www.decc.gov.uk/assets/decc/11/consultation/smart-metering-imp-prog/4897-consumer-engagement-strategy-con-doc.pdf)

Stakeholder engagement

1.6 As noted above, a Consultation was published in April 2012 to obtain stakeholders' views on a proposed Consumer Engagement Strategy. A Consultation email address (smartmetering@decc.gsi.gov.uk) was set up, to which all respondents were invited to submit their comments. The Consultation was available on the Department of Energy and Climate Change (DECC) website and a paper version of the document was made available on request. The Consultation invited all interested parties to comment on the proposals by 1 June 2012.

1.7 The development of this Government Response to the Consultation has been primarily informed by stakeholder responses. In addition, DECC held a number of discussions, including meetings with the Programme's Consumer Advisory Group (CAG) and Consumer Engagement and Roll-out Group (CERG), and a series of well-attended workshops with different stakeholder groups. These meetings and workshops allowed a more in-depth discussion on the detail surrounding key issues such as centralised engagement and the engagement of non-domestic consumers.

1.8 Fifty six written responses were received to the Consultation from a wide range of interested parties, including: large and small energy suppliers; network operators; communications providers; and consumer groups. Annex 2 provides a list of the organisations that provided a written response to the consultation. All responses received to the Consultation, with the exception of those where respondents have requested their response to be treated in confidence, will be available online at www.decc.gov.uk.

1.9 When implementing this Strategy, the Government will ensure that it continues to engage stakeholders, including colleagues in the Devolved Administrations. The mandate for rolling out smart meters in Great Britain (England, Scotland and Wales) is being introduced under reserved powers. The UK Government is therefore responsible for the regulatory framework for smart metering, including regulatory requirements relating to consumer engagement. However, delivery within this framework needs to take account of differences within Great Britain, such as differing arrangements for home energy efficiency advice managed by the Welsh and Scottish Governments and the need for bilingual engagement materials where relevant.

Structure of the document

1.10 This document is structured as follows:

- **Chapter 2** sets out the context and aims of the Consumer Engagement Strategy.
- **Chapter 3** sets out the Government's conclusions on what constitutes effective consumer engagement in the context of smart metering.
- **Chapter 4** describes the Government's conclusions on the most effective delivery mechanisms for domestic consumer engagement.

- **Chapter 5** explains how we intend to approach non-domestic consumer engagement.

- **Chapter 6** sets out how this Strategy will interface with and support wider energy and climate change policies.

- **Chapter 7** describes how implementation of this Strategy will be monitored and evaluated.

  - **Annex 1** lists the Consultation questions.
  - **Annex 2** lists all respondents. Full copies of the non-confidential responses to the Consultation are available on the DECC website at http://www.decc.gov.uk/en/content/cms/consultations/cons_smip/cons_smip.aspx#consumer.
  - **Annex 3** and **Annex 4** contain draft Licence Conditions, which we will apply to holders of electricity or gas supply licences. Following publication of this consultation response document, the Government expects to lay these conditions before Parliament and, subject to successful completion of the parliamentary process, for the licence conditions to come into force in due course.

2. Context and aims of the Strategy

This Chapter summarises the context for smart metering consumer engagement and sets out the aims and implementation objectives of the Consumer Engagement Strategy.

Consumers are expected to benefit significantly from the smart meter roll-out. For example, smart meters have the potential to: build energy literacy; give consumers more knowledge and control over their energy consumption; facilitate switching; enable new services; and help to modernise our energy infrastructure and its markets.

These consumer benefits will, however, only be fully achieved if consumers are effectively engaged with the roll-out. Consumer engagement is key to building acceptance and support for smart metering, as well to ensuring that consumers use smart meters to better manage their energy consumption.

The importance of consumer engagement to the realisation of consumer benefits is reflected in the Strategy's aims which focus on: building acceptance and support for the roll-out; helping consumers to use smart metering to better manage their energy consumption; and ensuring that vulnerable, low income and pre-payment consumers can benefit from the roll-out.

Context

Consultation positions

<u>The smart metering programme</u>

2.1 The Consultation noted that the implementation of smart metering will bring considerable benefits for Great Britain. It will be one of the largest and most complex investment programmes undertaken by the energy industry, entailing the almost complete renewal of the stock of electricity and gas meters to domestic and small non-domestic customers in less than a decade.

2.2 Smart meters will be installed over two implementation phases: the Foundation Stage and mass roll-out. During the Foundation Stage, which began in April 2011, the Government is working with industry, consumer groups and other stakeholders to ensure all the necessary groundwork is completed for mass roll-out. Mass roll-out will start in 2014 and be completed by the end of 2019. Some consumers will receive smart meters during the Foundation Stage, as the energy companies start their programmes in preparation for mass roll-out. The majority of consumers will receive their smart meters during mass roll-out.

Smart metering and consumer benefits

2.3 Consumers are expected to benefit significantly from the smart meter roll-out. For example, there will be an end to estimated billing, which will help meet consumers' desire to see better information on their energy consumption, which is relatively opaque to them at present.[4]

2.4 Improved feedback and advice on energy use will give consumers the tools necessary to reduce their energy consumption at a time of rising prices, as well as helping them understand the environmental and financial benefits of energy efficiency measures, such as those which will be promoted through the Green Deal.

2.5 Improved feedback will also help to meet the Programme objective of ensuring that low income households benefit from the savings that smart meters will facilitate. The Consultation noted that some concerns have been raised[5] that scope for low income customers to make savings is limited because such householders are already economising as far as they can. However, these customers are motivated to look for opportunities to save, and Energy Demand Research Project[6] trials (EDRP) produced evidence that consumers from areas with high concentrations of low income households were not only able to achieve savings comparable to other areas, but that savings increased over time in those areas. Whilst this suggests that consumers were progressively learning from feedback and advice, this research did not include an assessment of how these savings were achieved. In light of the potential health impacts of living in a cold home, it will be important to establish that overall energy savings are not being made at the expense of health. This could happen where households who are already under-heating their homes simply turn down the thermostat to save energy. The Programme also recognises the importance of assessing the benefits from "comfort taking" enabled through smart meters where no overall decrease in energy use is achieved. This may occur where the more efficient use of energy allows a consumer, who is under-heating their home, to maintain a more comfortable and safe level of heating. This could be achieved, for example, by a householder saving energy by adjustments to the way household appliances are used or the way water is heated, freeing up income for expenditure on heating.

2.6 Smart meters will offer benefits for pre-payment customers by providing a range of more convenient payment options. All smart meters will be capable of operating in either pre-payment or credit mode. This will make pre-payment an easier choice for all consumers and will allow existing pre-payment customers to move more easily to credit payment if their circumstances change.

[4] For example, a Future Foundation 2006 survey for Logica showed that 70% of GB consumers want better or more frequent information – Future Foundation (2006) Energy Efficiency – Public Attitude, Private Action.

[5] Paragraph 2:18: DECC (April 2012): Smart Metering Implementation Programme: Consumer Engagement Strategy Consultation Document(http://www.decc.gov.uk/assets/decc/11/consultation/smart-metering-imp-prog/4897-consumer-engagement-strategy-con-doc.pdf)

[6] AECOM for Ofgem (2010): Energy Research Demand Project: Final Analysis (http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=21&refer=Sustainability/EDRP)

2.7 Smart metering will also complement efforts by Government and Ofgem to improve the working of the energy market for consumers. For example, as part of its Retail Market Review, Ofgem has proposed a range of measures aimed at encouraging consumers to switch tariff or suppliers by requiring suppliers to simplify their tariffs and billing information. Smart metering will complement this action by providing consumers with accurate bills, better awareness of their energy consumption and access to their consumption data which they can use to compare tariff offers. Smart meters will also support a range of new energy services that are expected to emerge in the coming years, including tariffs to encourage flexible electricity load to be shifted to periods of low demand, reducing the overall costs of the electricity system.

The role of consumer engagement in delivering consumer benefits

2.8 The Consultation explained that many consumer benefits will only be fully achieved if consumers are effectively engaged. A number of the benefits identified above, such as an end to estimated billing and greater flexibility for pre-payment customers, will flow automatically from installation. However in order for consumers to receive these benefits, consumers need to accept the installation of a smart meter and In-home Display (IHD) in their home. Consumer engagement will be key to facilitating this acceptance.

2.9 Other consumer benefits, such as reduced energy consumption, will not be delivered by the installation of a smart meter and IHD alone; it will be the behaviours that consumers take in relation to their energy consumption which will deliver these. Many consumers will only change their behaviours and be able to receive the related benefits of smart meters if they are informed about and engaged with how to use their meter and IHD.

Aims and objectives

Consultation positions and proposals

2.10 The Consultation identified a range of issues that need to be addressed to enable consumer benefits to be achieved. It cited the most important of these as being: mitigating consumer concerns about smart metering; ensuring that drivers of behaviour change are in place; and ensuring that any additional help required by vulnerable and low income consumers is available. The Consultation used these priorities to develop three proposed aims for the Consumer Engagement Strategy:

- building consumer support for the roll-out by building confidence in benefits and by providing reassurance on areas of consumer concern;
- delivering cost-effective energy savings, by helping all consumers to use smart metering to better manage their energy consumption and expenditure; and
- ensuring that vulnerable and low income consumers can benefit from the roll-out.

2.11 The Consultation also included a series of supporting **objectives,** which primarily focussed on the development of the Consumer Engagement Strategy.

Evidence

2.12 The following Consultation question on the Strategy's aims and objectives was posed:

Relevant Consultation Question	
1.	**Are these the right aims and objectives against which to evaluate the Government's Consumer Engagement Strategy for smart metering? Please explain your views.**

2.13 Most responses to this question focussed on the proposed aims of the Strategy. There was broad agreement to the aims, although there were also a number of different suggestions for specific additions and changes.

2.14 The most mentioned theme amongst these suggestions was the need for the aims to reflect the importance of all consumers benefiting from the roll-out of smart meters, including the vulnerable and those on low incomes. A view was also expressed that there was a need to consider the wide range of customer segments, not just vulnerable consumers or those on low incomes.

2.15 One respondent stated that they thought achieving bill savings would be a clearer aim to the customer than energy savings. An energy supplier suggested that the second aim should be to maximise consumer benefits rather than deliver energy savings: energy savings will not be the only benefit that consumers can achieve.

2.16 Two of the respondents thought that the aims should include an aspiration for consumers to change consumption patterns or switch to time of use tariffs. Another respondent felt that the objectives should include a reference to the understanding and removal of barriers to realising the potential benefits for customers.

2.17 A few respondents suggested that the aims and objectives needed to be more measureable or supported by Key Performance Indicators (KPIs) to allow progress to be measured more easily.

Government conclusions

2.18 The Government has taken on board respondents' comments and adapted the aims to reflect the fact that the Consumer Engagement Strategy will contribute to the delivery of consumer benefits other than energy savings. It has also included a new reference to pre-payment consumers within the third aim in recognition of the specific engagement needs of this group. The Government's response to the issue of segmentation beyond vulnerable and low income consumers is set out in Chapter 3.

2.19 The revised high level **aims** for the Consumer Engagement Strategy are to:

- build consumer support for the roll-out, by increasing confidence in the benefits of smart meters and by providing reassurance on areas of consumer concern;

- facilitate the realisation of consumer benefits, by building acceptance of the installation of smart meters and by helping consumers to use smart metering to manage their energy consumption; and

- ensure that vulnerable, low income and pre-payment consumers can benefit from the roll-out.

2.20 Success against these aims will be assessed through the Programme's monitoring and evaluation activities described in Chapter 7. Individual organisations, particularly the Central Delivery Body (CDB), will also put in place their own processes for monitoring the impact of their consumer engagement activities (see Chapter 4).

2.21 As noted at paragraph 2.10 above, the supporting **objectives** in the Consultation were primarily focussed on the development of the Consumer Engagement Strategy. Given that these have now been met with the publication of this Government Response document, a set of new objectives have been developed which focus on the implementation of the Strategy:

- to improve understanding of consumer attitudes and the drivers and barriers affecting energy-consuming behaviour relating to smart meters;

- to ensure that the identified supplier, centralised, third party and Government consumer engagement delivery mechanisms are put into operation;

- to ensure that relevant non-domestic consumers are appropriately and effectively engaged with smart metering;

- to explore how consumer engagement can help exploit synergies between smart metering and other energy policies and initiatives;

- to monitor and evaluate the implementation of the Consumer Engagement Strategy in order to assess whether the different approaches to engagement are working, or whether they need to be adapted.

2.22 These implementation objectives will provide a framework for the Delivery Plan referred to at paragraph 1.4. Progress against these objectives will be measured as part of this Plan.

3. Effective consumer engagement

Chapter 2 emphasised that engagement has an essential role to play in ensuring that consumers accept smart meters and use them to change their energy consuming behaviours. An effective Consumer Engagement Strategy therefore requires an understanding of the drivers and levers of behaviour change and the acceptance of smart meters, and how these vary across different consumer groups.

This Chapter sets out existing evidence in this area, which indicates that direct feedback, indirect feedback, advice and guidance and motivational campaigns will all have an important role to play in facilitating behaviour change. It also notes that reassurance on areas of consumer concern, promotion of positive consistent messages and countering of misinformation will contribute to encouraging acceptance.

Whilst the Programme has accumulated a good overview of evidence in relation to effective smart metering consumer engagement, the Government recognises that there is still important work to be done in preparing for mass roll-out. Further work during Foundation Stage will include gathering early insights into consumer benefits and how they may differ by consumer type; measuring awareness and attitudes towards smart meters; and learning more about what works in changing energy consuming behaviours.

Understanding effective consumer engagement

Consultation positions and proposals

3.1 As previously stated, consumers will only receive the full benefits of smart meters if they accept a smart meter into their home and use it to change their energy consuming behaviours. The Consultation noted that the first step in achieving this is to understand what drives energy-consuming behaviours and hence how best to enable consumers to change their behaviours.

3.2 The Consultation noted that the Programme had found little evidence that providing information alone would change attitudes and behaviours. Instead, it identified six drivers of behaviour which consumer engagement could usefully seek to influence:

- energy literacy;
- knowledge of behaviours;
- self efficacy;
- beliefs about outcomes;
- salience;

- social and household norms.[7]

3.3 The Consultation went on to suggest that these drivers of behaviour could be influenced through **six levers**:

- **direct feedback** - real time consumption data through the in-home display (IHD), mobile phone, online or other platforms;

- **indirect feedback** – aggregated or non-real time data, e.g. historic or comparative information on bills;

- **advice and guidance** – on energy and energy reduction (by paper, web, mobile, face-to-face or phone) and the development of applications and services that can help interpret data and point towards better choices;

- **motivational campaigns** – designed to raise energy literacy and motivation to reduce consumption. This includes marketing campaigns and a range of community delivered initiatives;

- **consumer incentives or disincentives** – financial or other incentives or disincentives targeted directly at the consumer and designed to drive reductions in energy use; and

- **market levers** – regulatory measures and financial or other incentives and disincentives targeted at market actors and designed to indirectly reduce consumer energy use.

3.4 The Consultation proposed that the Consumer Engagement Strategy should predominantly focus on the first four of these levers, noting that significant elements of the consumer incentives and disincentives and market levers fall within the Government's wider carbon reduction agenda and beyond the scope of the Consumer Engagement Strategy.

3.5 The Consultation also noted that drivers and levers of behaviour change will vary for different consumer groups. It highlighted, for example, that vulnerable and low income consumers, pre-payment meter consumers and highly engaged consumers would all have differing engagement needs.

3.6 In addition to identifying drivers and levers of behaviour change, the Consultation emphasised the importance of the messenger in delivering consumer engagement. It noted that messages from peers and trusted independent third parties are generally more compelling than those from parties who may be perceived as having vested interests or more traditional authority figures. This pointed to third parties, social networks and community groups playing a key role in promoting smart meters and delivering behaviour change interventions.

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[7] Definitions can be found in the Consumer Engagement Strategy Consultation, DECC (April 2012) (http://www.decc.gov.uk/assets/decc/11/consultation/smart-metering-imp-prog/4897-consumer-engagement-strategy-con-doc.pdf)

3.7 The Consultation noted a number of concerns that consumers might have about smart meters (e.g. privacy, cost, health implications) and acknowledged that these could harm consumer acceptance of smart meters should they take hold and grow. It set out details of how the Programme is developing its policies in these areas and noted that it would be important to communicate these clearly and consistently to alleviate consumer concerns. The Consultation also noted that acceptance would be aided by the promotion of positive smart metering case studies through the media; countering of misinformation; and coordination of consistent messages.

Evidence

3.8 The Programme sought evidence on the best mechanisms for understanding and changing energy saving behaviours through the following Consultation questions:

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

3.9 Respondents were generally in agreement with the behaviour change drivers and levers identified in the Consultation. There was also broad acknowledgement that changing behaviour was not simple and that different combinations and timings of levers would work for different people.

3.10 There were various opinions on the centrality of direct feedback platforms such as the IHD and online data (some considering online data useful and others considering it a step too far for all but the most committed consumers). A small number of respondents suggested that consumer incentives and disincentives and other market levers should be within scope of the Consumer Engagement Strategy or, alternatively, that the market would naturally develop to provide these.

3.11 A significant number of respondents reported that some, particularly vulnerable, consumers would need more support than other consumers to enable acceptance and behaviour change. The importance of targeting appropriate messages (e.g. using energy efficiency measures to help households increase the temperature and retain the heat in their homes) and the role that third parties could play in this regard arose several times.

3.12 Opportunities for utilising social networks as a means to influence behaviour were highlighted by a number of respondents, as was the overall potential positive impact of community outreach on behaviour change (described by some respondents as “crucial” or “vital”). The potential role of energy management companies and automated energy management systems as a means to influence behaviours was also mentioned by a small number of respondents.

Government conclusions

3.13 The Government remains of the view that energy consuming behaviour change will primarily be delivered by the first four consumer engagement levers listed at paragraph 3.3. Many of these levers will be used by the Central Delivery Body (CDB) that will be set up to undertake centralised engagement (see Chapter 4). For example, the CDB will be expected to undertake motivational campaigns; provide energy efficiency advice and guidance; address consumer concerns; and explain the benefits of smart metering to consumers and other parties.

3.14 The Government also expects that individual supplier and energy management services activities will utilise many of the levers identified above. Direct feedback through the IHD, indirect feedback through billing, and general and tailored advice and guidance on energy reduction will have an important role to play in promoting acceptance of smart meters and enabling behaviour change.

3.15 As noted in the Consultation, market levers such as regulatory measures, and incentives and disincentives targeted directly at the consumer to drive a reduction in energy use, fall within the Government's wider carbon reduction agenda and outside the scope of the Consumer Engagement Strategy. Chapter 6 provides more detail on the Government's thinking in this area.

3.16 Chapter 4 sets out how the Government intends to address consumer concerns and proactively build support for the installation of smart meters. It also contains the Government's conclusions on the role of third parties, such as community groups, in promoting smart meters and delivering behaviour change interventions. The Further learning section below outlines the need to test the involvement of third parties in consumer engagement.

Further learning

Consultation positions and proposals

3.17 The Consultation noted that a good range of evidence has been collected on energy consuming behaviours, but it also recognised that more evidence is needed to further develop understanding in this area. It listed a number of areas where the Programme is keen to learn more, including gaining a better understanding of the effectiveness of different approaches and forms of direct and indirect feedback, and how these work for different kinds of consumer. The Consultation expressed a desire to gain further knowledge of the most effective ways to deploy community engagement, and to increase the Programme's knowledge of how smaller businesses can be supported to save energy. It also noted the possibility of geographically-focused pilots nearer to mass roll-out.

Evidence

3.18 The Consultation sought views on further learning needs through the following question:

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

3.19 Respondents largely agreed with the further evidence needs identified. Suppliers were supportive of attempts to learn more and generally expressed a willingness to help in this area, although some naturally highlighted the constraint of commercial sensitivity. There was some disagreement between respondents as to the significance of testing IHDs and their design, with some believing there ought not to be too much emphasis on the IHD and others keen to see such a focus. Consumer groups, for example, highlighted the importance of understanding how to make the IHD as accessible as possible.

3.20 Some stakeholders cautioned against grouping vulnerable consumers together as a homogenous group and highlighted the complexity and variety of needs expressed by the term "vulnerable". One consumer group anticipated that the number of consumers on pre-payment tariffs would increase in a smart world, and took the view that smart pre-payment functionality should be trialled before mass roll-out is underway.

3.21 A small number of respondents mentioned the need for geographically-focussed community trials or pilots. This was seen as important in understanding interoperability across all components of smart metering infrastructure, as well as the logistics behind community engagement. It was also pointed out that local groups, who are likely to be best placed to support community trials, would find it very burdensome or impossible to engage with several suppliers simultaneously. A small number of stakeholders mentioned the need for community trials to come early enough to inform policy and planning ahead of mass roll-out. However a similar number mentioned the difficulty of testing interoperability while market participants were at different levels of readiness: only mass roll-out would provide 'real' conditions under which to test interventions. One respondent mentioned that community trialling before full interoperability of the various components of the enduring smart market solution could create disaffection in the pilot region or town.

Government conclusions

3.22 The Government has already used a range of sources to obtain evidence on understanding energy consumption behaviours including: the results of the EDRP[8]; other smart meter evaluation and research; supplier trials; voluntary sector and non-Government organisation (NGO) projects; qualitative and quantitative consumer research; and the Government's own data on other energy efficiency initiatives.

3.23 The Government intends to use the remainder of Foundation to work with suppliers, NGOs and other relevant parties to build on this evidence base in order to inform the work of the CDB, good practice at the installation visit, and post-installation support. Specific areas for further learning that are currently under consideration are set out below. Whilst these focus on the Foundation Stage, the Government does not see the start of mass roll-out as the end of learning. It expects that the CDB will be able to take the Programme's evidence base and add to it by developing, testing and refining its approach to consumer engagement through mass roll-out. We are currently establishing the arrangements which will help to deliver a stronger evidence base. These arrangements will have two main components:

- early assessment of emerging impacts; and
- learning through testing and trialling.

Early assessment project

3.24 This project will establish the emerging impacts of early mover roll-out ahead of the Programme review at the end of 2013. The focus of this project will be to provide early insights into consumer benefits and how they may differ by consumer type (e.g. socio-demographic segment and property type) and the effectiveness of consumer engagement activity. We are currently developing the methodology for this evaluation work, in consultation with suppliers. Further details are given in Chapter 7.

Consumer research

3.25 In order to measure awareness and attitudes towards smart meters and to track any negative views, the Programme is undertaking quantitative research on a six monthly basis. A baseline position as at April 2012 has been established and the outcome published.[9] Early findings suggest that although current awareness is relatively low, once consumers understand what smart meters and IHDs are, they are generally keen to have them.

3.26 The Programme has also undertaken qualitative studies looking at attitudes and awareness (including willingness to have smart meters installed) in more depth.[10] This has provided some evidence that suggests all parties need to be very clear

[8] AECOM for Ofgem (2010): Energy Demand Research Project: Final Analysis (http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=21&refer=Sustainability/EDRP)
[9] Ipsos MORI for DECC (2012): Quantitative Research into Public Awareness, Attitudes, and Experience of Smart Meters (http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/smart-meters/6194-quantitative-research-into-public-awareness-attit.pdf)
[10] Navigator for DECC (2012): Smart meters: Research into public attitudes (http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/smart-meters/5424-smart-meters-research-public-attitudes.pdf)

about the language used to explain the smart meters mandate. Although suppliers are mandated by Government to roll-out out smart meters as standard, there will be no legal obligation on individuals to have one. Any suggestion that consumers must have a smart meter is likely to create resistance where none would otherwise have existed. Further qualitative and quantitative work will be carried out to develop a deeper understanding of this and other emerging issues.

3.27 As noted by many respondents to the Consultation, the engagement needs of different consumers, especially those facing additional challenges, risks and barriers to behaviour change, are varied and complex. The Government agrees that it is important to avoid over-simplifying or making blanket assumptions about the needs of certain groups and it will be important to ensure that the approach to engaging consumers reflects an understanding of the particular conditions or circumstances of individuals that would put them at additional risk of failing to benefit from smart meter installation.

3.28 The Government is aware that suppliers are already undertaking research and trialling that reflects the diversity of their customer base. Where gaps in understanding remain, the Government will commission appropriate research. For example, the Programme has recently commissioned research to further understand how blind and partially sighted consumers can access benefits from smart meter installation when there is no existing IHD or energy monitor that is directly accessible to this group. This research will provide information on attitudes to energy use; how blind and partially sighted consumers currently access information about their own energy use; what technical options will be available for accessing smart meter information; and what the preferences of different segments of this population are for receiving this information. This will support energy suppliers in meeting their obligations under the Equality Act 2010 and will inform manufacturers of the needs of this group. It is also likely to yield wider insights into consumer attitudes and preferences.

3.29 An in-depth qualitative study on vulnerable and low income consumers' experience of installation was carried out by National Energy Action, funded by DECC and Consumer Focus[11] and shows a broadly positive picture of consumers' experience of installation and their subsequent use of the IHD to control their energy. It found that consumers were broadly happy with the installation and that the majority of consumers made at least minor changes to their energy use, with those who used the IHD regularly displaying the most behaviour change.

3.30 However, the research also shows that some consumers (in particular the frailest elderly and those with literacy and mental health problems) struggled with understanding and using the IHD or had chosen not to. This supports the case for providing additional and tailored support for these consumers. The research provided some reassurance regarding the risk that older consumers could react to the information displayed on the IHD by reducing their energy use in a detrimental way, such as reducing heating to a dangerously low level. The study found that older customers are, in general, unlikely to be alarmed into excessive reductions in

[11] NEA for DECC and Consumer Focus (2012): Smart for All – understanding consumer vulnerability during the experience of smart meter installation (http://www.nea.org.uk/Resources/NEA/Publications/2012/Smart-for-All-Understanding-consumer-vulnerability-during-the-experience-of-smart-meter-installation.pdf)

energy use with IHDs resulting in either more careful and considered use of energy, or no change at all. However, it remains important to ensure that information about the importance of maintaining a sufficient level of heating is provided to vulnerable consumers as part of installation and the broader consumer engagement.

3.31 The Government is also supporting National Energy Action in undertaking further qualitative research to gain a better understanding of the engagement needs of low income and vulnerable consumers in relation to smart meter roll-out over a longer period of time.

3.32 A further market segment that needs to be better understood is pre-payment customers. Evidence suggests that because many of these consumers are continually aware of their energy use in order to ensure they do not run out of credit and go off supply, they are already economising to a greater extent than other consumers. More work is, however, needed to understand the potential for energy savings for those on pre-payment tariffs.

3.33 There are other important benefits for pre-payment customers in terms of new payment methods, more accessible information on remaining credit through the IHD, and friendly disconnect arrangements (which prevent supply being lost overnight or when shops are shut). It will be important that pre-payment customers understand these new capabilities. The engagement needs of this particular group will therefore be different to other consumer groups to ensure they are able to fully benefit from smart meters. As suppliers start to roll-out smart meters to pre-payment customers, we will look to carry out specific research with these customers.

<u>Behaviour change interventions – testing/trialling</u>

3.34 As mentioned earlier, the Programme has already reviewed a significant amount of evidence to enable it to understand energy consuming behaviours. We now need to build upon this work to understand:

- how drivers of behaviour such as commitments, defaults, social norms and prompts can be deployed in energy saving;
- how these drivers work across different kinds of consumer;
- how behavioural insights can inform engagement at the point of installation and subsequently; and
- how messengers – particularly the third sector, social networks and peers – can support energy savings. It is expected that individual suppliers will already be looking to explore some aspects of this (e.g. improved consumer feedback). The focus of DECC trials will therefore predominantly be on community level projects involving multiple parties.

3.35 The Programme is considering commissioning appropriate partners (who have already succeeded in driving sustainable behaviour change) to adapt previous interventions to the smart meter context, or to work with the Programme to devise new behaviour change interventions. These interventions could then be tested in small scale studies with the most promising leads subsequently tested at a larger scale at a later date. If the Programme proceeds with this work it is intended that these small scale studies would take place during 2013. This research will also look to generate interventions suited to the needs of vulnerable and low income consumers, including more disengaged individuals and communities, who are likely to be harder to reach.

Synergies between policies

3.36 Smart meters are an important step in making energy consumption more transparent to consumers. As a result, a smart meter could be the start of a journey for some consumers that will take in energy efficiency measures, such as those provided for under the Green Deal, or the installation of microgeneration and renewable heat technology. The Government is keen to understand how consumer engagement could help exploit these synergies between smart meters and other policies. Further details can be found in Chapter 6.

Area-focussed trials or pilots

3.37 Improving understanding of effective consumer engagement as part of area or community focussed trials or pilots would need the co-operation of all (or at least a number of) suppliers and other key stakeholders. Due to the different approaches to early roll-out of different market participants, and the general preference for trialling with Smart Metering Equipment Technical Specification (SMETS) 2-compliant meters and utilising Data and Communications Company (DCC) services, area focussed trials or pilots would not be likely to happen until around the start of mass roll-out. However, given that roll-out will run to the end of 2019, the Government still sees potential for the CDB to usefully learn more about engagement approaches from pilots taking place at this stage.

3.38 Improving understanding of area or community focussed consumer engagement is a priority for consumer groups who have argued for some element of geographical coordination of consumer engagement. They assert that geographical coordination will be important in facilitating effective engagement through community groups, given that it would be unrealistic to expect sustained, active involvement of community groups through the duration of mass roll-out. An area-based pilot would help test how a light-touch approach to geographical coordination of consumer engagement could work.

Next Steps

3.39 In addition to undertaking the specific further learning activities outlined above, the Programme will continue to add to the stock of evidence it has already gathered from academics, NGOs and others about key lessons for consumer engagement. This will include evidence obtained from international sources.

3.40 The evidence that the Programme gathers will be handed over to the CDB, except for information provided by individual suppliers which is commercially sensitive. The CDB will be expected to take an evidence based approach to its work by building on these findings and using evidence gathered by other organisations, such as consumer groups, when developing and refining its plans.

3.41 In the short term, the Programme will continue to survey consumer attitudes through qualitative and quantitative research and publish this data on the Government's website. This research will feed into the consumer engagement activities that Government and industry are currently undertaking to raise awareness and build acceptance of smart meters prior to the CDB becoming operational. Further details on this area of work can be found in Chapter 4.

4. Delivering consumer engagement

Chapter 3 explained the Government's conclusions on *what* constitutes effective consumer engagement and the further learning that needs to be done in this area. This Chapter sets out *how* effective consumer engagement will be delivered, with a particular focus on the domestic sector.

It confirms the Government's commitment to a delivery landscape based on domestic consumer engagement being delivered by a range of different parties. Individual suppliers will be the primary interface with consumers. However, they will be supported by a centralised programme of engagement, which will be undertaken by a supplier-funded Central Delivery Body (CDB). Licence conditions will be used to require larger suppliers to set up the Body to meet pre-set objectives.

Individual suppliers and the CDB will wish to work with trusted third parties, such as community groups, charities and local authorities, to engage consumers. The Government is likely to have a role in preparing these organisations for smart metering consumer engagement. It will also continue to undertake engagement activities focussed on reassuring consumers, building support for smart meters and identifying any engagement 'gaps'.

Individual supplier engagement

Consultation positions and proposals

4.1 The Consultation recognised that suppliers' responsibility for procuring and installing smart meters in every home in Great Britain will put them at the forefront of domestic consumer engagement. Key areas of supplier engagement activity will include engagement around the time of installation; the provision of an In-home Display (IHD); and direct and indirect feedback

Installation

4.2 Consumers' experience of installation will be critically important in promoting acceptance of smart meters, as well as helping households to understand and act on information provided by their IHD to better manage their energy consumption.

4.3 The importance of the domestic consumer experience of installation is reflected by new Licence Conditions that require suppliers to develop a smart metering Installation Code of Practice (ICoP).[12] The ICoP will help ensure that customers receive a good service from suppliers throughout the installation process and that

[12] DECC (2012): Licence conditions for a code of practice for the installation of smart electricity and gas meters: Government response to consultation, (http://www.decc.gov.uk/assets/decc/11/consultation/smart-metering-imp-prog/4841-government-response-to-licence-conditions-for-inst.pdf)

they are given clear and accurate information and advice about the smart meter and IHD and how to use them. This will include the provision of advice and guidance on smart metering and energy efficiency. Suppliers are also required to set out in the ICoP how they will identify and meet the needs of vulnerable consumers.

4.4 The Consultation suggested that smart meter installation would provide an opportunity for suppliers to update their information about customer vulnerability, and that suppliers would wish to ensure that all staff in direct contact with customers are trained to identify and assist vulnerable consumers in a way that is tailored to their needs and circumstances. The document also made clear that this group of consumers is likely to need extra time and support, either at the installation visit or through additional contact pre and post-installation visit.

4.5 The licence conditions underpinning the Code of Practice came into effect on 30th November. Suppliers must submit a Code of Practice to Ofgem for approval within a month and it is expected that it will come into effect in Spring 2013.

In-home Display

4.6 The Consultation noted that the IHD will be a central tool of domestic consumer engagement, providing consumers with rapid access to direct feedback. All suppliers will be required to offer an IHD that provides relevant information on usage and expenditure to domestic consumers. IHDs will have to contain sufficient information to help consumers understand their historic energy consumption, with a view to enabling them to better manage their future energy use. Suppliers will be required to ensure that the IHD is accessible to as wide a group of consumers as possible. However, even an inclusively designed IHD will not be accessible to all consumers, and suppliers will still need to consider what adjustments are required to ensure that disabled consumers are not disadvantaged relative to others.

4.7 The Consultation proposed that the Programme, or other independent parties, could make information comparing key aspects of different suppliers' installation packages (e.g. IHD functionality) and/or their impacts (e.g. changes in energy use) publicly available. It noted that such information could promote competition by supporting informed customer choice. It would also complement other information about the retail energy market and improve incentives on suppliers to support reductions in energy use.

Indirect feedback

4.8 The third area of individual supplier domestic consumer engagement highlighted by the Consultation was the provision of indirect feedback (the provision of summarised or delayed feedback on consumption) post-installation. It noted that this will include accurate, regular billing which will provide data that will help consumers better understand their consumption. It could also encompass the provision of paper-based or electronic information with recommendations on energy efficiency actions and the interpretation of data to create household-specific recommendations. Indirect feedback could be provided by energy management services companies, as well as by individual suppliers.

4.9 The Consultation on Data Access and Privacy[13] also recognised the important role that indirect feedback and energy efficiency advice could play in consumer behaviour change, and that access to energy consumption data could enable suppliers to provide such offerings. The Data Access and Privacy Framework will enable suppliers to access half-hourly energy consumption data for the purposes of trials (for example, to test the effectiveness of different types of indirect feedback), provided that the trial has been approved, and that the customer is informed about the trial and given the opportunity to opt out of it.

4.10 The Consumer Engagement Strategy Consultation stated that evidence from the United States of America (USA) suggests that indirect feedback approaches have the potential to deliver significant savings for consumers. However, in the USA these approaches are typically incentivised via regulated energy efficiency programmes. In Great Britain, suppliers could potentially decide to provide such services as a part of their standard offering. However, the Consultation noted that indirect feedback is only likely to deliver maximum energy savings if suppliers are appropriately incentivised.

Evidence

4.11 The Consultation sought further evidence on one specific area of individual supplier engagement through the following Consultation question:

Consultation Question	
5.	**What are you 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?**

4.12 Respondents' views on this issue were mixed. Suppliers were generally against information being made publicly available on their different installation packages and impacts, whilst consumer groups, local authorities and other interest groups were supportive of the proposal.

4.13 Suppliers emphasised that informing consumers about installation packages was a commercial matter for suppliers and should be left to them. One respondent felt that there was a risk that the proposal could lead to market impacts or distort competition. The view was also expressed that it would be inappropriate and burdensome for central information to be made available on different tariffs and services as the information could confuse consumers and may lead to delays in acceptance of smart meters. It was also noted that the ICoP will ban sales at the installation visit, so to avoid confusion centrally provided information should be restricted to generic information about benefits.

[13] DECC (April 2012): Consultation on Data Access and Privacy, (http://www.decc.gov.uk/assets/decc/11/consultation/smart-metering-imp-prog/4933-data-access-privacy-con-doc-smart-meter.pdf)

4.14 Those respondents who supported the proposal, felt that it would aid learning, improve transparency and allow consumers to understand different offerings in the context of potential benefits. It was also noted that any information provided needed to be independent. Only a few respondents expressed a view on when the information should be published, with some saying it should be as soon as possible, whilst one respondent felt that publishing this information too soon could confuse consumers.

Government conclusions

4.15 The Government remains of the view that individual suppliers should have the primary role in engaging consumers with the smart meter roll-out pre, during and post-installation. Sustained supplier engagement post-installation will be key to ensuring that consumers accept smart meters and make lasting positive changes in the way they manage their energy consumption.

4.16 The Government continues to expect that key areas of supplier engagement activity will include engagement around the time of installation; the provision of an IHD; and the ongoing provision of direct and indirect feedback.

<u>Installation</u>

4.17 The Government has given further consideration to the provision of energy efficiency advice during installation. Given that this has an important role to play in changing energy consuming behaviours, the Government would expect suppliers as standard to:

- demonstrate the IHD – help customers to understand how to operate the equipment and how it can be used to help them manage their energy consumption (e.g. by demonstrating how the display changes when an appliance is switched on);

- provide written material - signpost where the customer could go for a reminder of the IHD's functionality or for more energy efficiency advice. This would include any standard CDB and, potentially, Green Deal material;

- initiate discussion on energy saving behavioural changes – discussion should be tailored to the consumer's interests or the conversation should be closed down early if the customer clearly wishes to do so.

4.18 The Government expects that the installation will be followed up with a phone call and/or electronic communication, which should include reference to energy saving actions. It also expects that similar written material and a follow-up phone call/electronic communication would be provided when a supplier became aware that a consumer had moved into a property with an existing smart meter. This is to avoid the risk that potentially large numbers of people could miss out on the whole installation experience by moving into a property that already has a smart meter. For any type of follow-up activity involving visits to the home, it is expected that suppliers will voluntarily apply similar protections to those in the ICoP, particularly in relation to unwanted sales activity.

4.19 It is expected that suppliers will work with the CDB (see below) to develop specific proposals for identifying which individuals and sectors of the customer base will need additional support. The Government expects that additional support will be met either by adapting suppliers' general approach to suit a broader audience or by targeting specific help on the most vulnerable consumers. Some consumers will require additional time before, during and/or after the visit, with support delivered either by the supplier or through a third party. It may also be valuable to provide communication material in different formats for some groups, such as the provision of a demonstration DVD for those finding the standard written material difficult to understand. Where a third party is engaged, we would expect in most cases that this would be co-ordinated through the CDB since this is likely to be the most cost effective for third parties and for suppliers. However, this is not intended to preclude suppliers establishing particular partnerships to offer additional services should they wish to do so.

4.20 The Government takes the view that in relation to low income consumers, suppliers should consider the options for cost-effectively bringing together obligations under schemes such as the Affordable Warmth element of ECO with smart meter roll-out. They will also wish to consider using the installation visit to identify vulnerable consumers and offer them further assistance if necessary. This should deliver efficiency savings for suppliers and provide a more comprehensive and valuable package for consumers. Further details can be found in Chapter 6.

4.21 The Government expects suppliers to ensure that the installation visit for new and existing pre-payment customers supports delivery of the expected benefits from smart meter technology. As discussed in Chapter 3, pre-payment customers switching to smart pre-payment will see some significant changes in the payment process and they will need to know, for example, that they must take the correct identification to the payment point. The Government expects that suppliers will work with pre-payment vendors to ensure that consumers are prepared for these changes and have the necessary support and information during the transition.

<u>In-home display</u>

4.22 In terms of the IHD, the Government has taken into account the diverse views of respondents on the publication of available information on different suppliers' installation packages and has concluded that this should not happen during Foundation stage. However, the publication of more information on suppliers' smart meter offerings during mass roll-out may well improve the workings of the market by increasing transparency for consumers and aiding their decision making.

<u>Indirect feedback</u>

4.23 The Government expects that supplier engagement with consumers will not stop around the point of installation. In addition to the follow-up call/electronic communication mentioned above, it is expected that suppliers will wish to provide ongoing indirect feedback to consumers that will help them to manage their energy consumption. The Government's current thinking on the need to adjust policy mechanisms in order to provide incentives to suppliers to develop new indirect feedback mechanisms is set out in Chapter 6.

Next steps

4.24 Licence Conditions requiring suppliers to offer an IHD to domestic customers that meets technical specifications, and those underpinning the ICoP, have been laid and took effect at the end of November 2012. Suppliers are required to submit a Code of Practice to Ofgem for approval within a month of the Conditions coming into effect.

4.25 The Government expects that individual suppliers will develop consumer engagement plans that set out how they intend to engage consumers at the point of installation and through the provision of an IHD and indirect feedback. Whilst suppliers' commercial strategies for installing smart meters and developing and marketing smart products and services will be a matter for them, we would expect suppliers' plans to take account of the activities of the CDB.

4.26 The Government recognises that it will be important to monitor how individual supplier activities are contributing to the delivery of consumer benefits and to the aims and objectives of the Consumer Engagement Strategy. The Programme will collect a range of information about the effectiveness of individual suppliers' installation visits, IHDs and advice. This will include industry reporting on compliance with the ICoP, the results of DECC's consumer surveys and research, and the evaluation of consumer benefits in relation to consumer engagement approaches. Suppliers are specifically required by the ICoP Licence Conditions to, from time to time, gather feedback from their customers about their experience of the smart meter installation. The Government will also work with suppliers to establish meaningful benchmarks or Key Performance Indicators (KPIs) for monitoring this part of the Consumer Engagement Strategy, as part of the programme's wider monitoring and evaluation arrangements. Further details on monitoring and evaluation can be found in Chapter 7.

Centralised consumer engagement

Central Delivery Body (CDB) – general approach

Consultation positions and proposals

4.27 The Consumer Engagement Strategy Consultation proposed that individual supplier engagement activities should be supported by a centralised programme of domestic consumer engagement. It noted that suppliers' engagement activities would benefit from being supported by consistent messages from a central body seen to be independent of suppliers and Government.

4.28 The Consultation proposed the centralised engagement could best be delivered by larger[14] suppliers establishing and funding an independent not-for-profit Central Delivery Body (or putting in place arrangements to use an existing body) to deliver a series of consumer engagement objectives set by Government.

4.29 The document suggested that this approach could be delivered by placing Licence Conditions on larger suppliers, but noted that it may not be necessary to regulate if suppliers were minded to establish voluntary arrangements of equivalent effect to

[14] Those supplying gas or electricity to, in each case, more than 250,000 domestic customers.

that proposed in the draft Licence Conditions. The Consultation posed an open question on small supplier and other industry involvement with the Body.

Evidence

4.30 The Programme has obtained evidence on the proposed approach to centralised engagement using responses received to the following Consultation questions and feedback received at a series of stakeholder workshops.

Relevant Consultation Questions	
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?**
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?**
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?**
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?**
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.**

4.31 In answering these questions, most respondents were in general agreement that centralised engagement would be valuable and that a CDB was an effective way to deliver it. There was, however, a divergence of opinion over the role that suppliers should play in its establishment and funding.

4.32 The majority of larger suppliers believed that the Central Delivery Body should ideally be either established and/or funded by Government, arguing that this would make it more credible with consumers. A small number of respondents felt that the CDB should be funded by suppliers, but established and run by Government, with Government potentially tendering for a new or existing outside organisation to deliver consumer engagement. Under this scenario, Licence Conditions would require energy companies to fund and support the activities of the CDB. Another suggestion was for shared funding, responsibility and accountability between Government and suppliers. A further alternative was for all parties that will benefit from the activities of the CDB (including network operators, tax payers and suppliers) to contribute to the costs.

4.33 A larger group of respondents were generally content for suppliers to establish and fund the body. Within this group, there was a fairly even split between those who felt that post-establishment the Body should be independent of suppliers (most commonly in order to win credibility with the public) and those who felt that if suppliers were to fund the body they needed to control its activities. Further evidence on this issue can be found in the governance section below.

4.34 As to whether the CDB should be set up on a voluntary or regulatory basis, of the respondents who expressed a firm view, a slight majority thought this should be on a regulatory basis. Suppliers generally preferred a voluntary approach, although some expressed concerns about the impact on the credibility of the body and wider stakeholder confidence. Those in favour of a voluntary approach felt this would be the quicker option. Consumer groups and some other stakeholders felt strongly that a regulatory approach would be necessary if the optimum mechanism was to be developed at the first attempt. Of those respondents (mainly suppliers) who expressed views on the extent of regulation, all said that any Licence Conditions ought to be light touch, leaving room for suppliers to operate flexibly. Some respondents suggested alternative options to Licence Conditions, such as the Smart Energy Code or using the Data and Communications Company (DCC) although difficulties were noted for both of these options.

4.35 Many respondents could see both pros and cons to either establishing a new body or contracting an existing organisation to run centralised engagement. Of those with a preference, there was a slight majority in favour of a new body being set up. Arguments in favour of an existing body tended to be that it would be cheaper, quicker and could have an established brand. Those favouring a new body generally felt that there were no obvious existing candidates with the requisite experience and skills and that a new body would be bespoke and therefore more fit for purpose.

4.36 With regard to the role that small suppliers should have in setting up and delivering centralised engagement, the majority of respondents were in favour of small suppliers having a role, some saying they were “strongly” in favour. The reasons included: ensuring that all consumers would benefit; helping to establish consumer trust in the CDB; helping to prevent dominance by larger suppliers; inclusiveness and credibility; obtaining the benefits of small suppliers’ experience; and ensuring small suppliers played their part.

4.37 A majority felt the role should be an active one (for instance, through representation and voting rights on the Board) but some suggested an advisory or consultative role. One view was that representation on the Board could be through a trade body or equivalent, as this would help to minimise the burdens on the smaller suppliers.

4.38 A small number of respondents said small suppliers should be able to decide if they wished to participate. One view was that, if they did participate, small suppliers should be obliged to use CDB materials/messaging etc.

4.39 Only a small number of respondents commented on whether small suppliers should contribute to the funding of the CDB. Some larger suppliers who commented noted that if contributions were based on market share they would have negligible impact on the overall budget, but that the principle of contributing mattered more. One large supplier felt that even if small suppliers didn't fund the CDB, this shouldn't preclude their input.

4.40 One small supplier expressed the view that it would be fair for small suppliers to contribute on a market share basis, but not if they had to pay for activities which might be perceived as being "of little value". They therefore suggested that some CDB activities should just be funded by those who would benefit from specific activities. A small number of respondents referred to the potential burdens that funding could place on small suppliers, even if based on market share.

4.41 Evidence on the role of other industry participants is included within the section on Governance below.

Government conclusions

4.42 The evidence obtained in response to the Consultation has confirmed the Government's position that a not-for-profit CDB should be established to deliver a centralised programme of domestic consumer engagement activities. The Government is mindful of the divergence of views about how the CDB should be established, funded and regulated and has worked to develop the proposed model accordingly.

4.43 The Government still intends to use Licence Conditions to require larger suppliers to set up and fund a CDB. This is in keeping with the supplier-led principle underpinning the roll-out and is intended to reduce the risk of delay in setting up the CDB. The Government has welcomed steps by suppliers to put in place some interim consumer engagement arrangements ahead of the set-up of the CDB, but the difficulties they have experienced in achieving this have highlighted that a voluntary approach would have been very challenging. A regulatory approach will also provide increased certainty over the Body's purpose and objectives and enable strong monitoring, evaluation and accountability mechanisms.

4.44 Whilst the Government has decided to take a regulatory approach to the set-up of the CDB, it also recognises the need for the CDB to be flexible in how it undertakes consumer engagement. This will allow it to focus on the most appropriate, cost-effective activities at any particular time. It has therefore taken steps to ensure that the obligations in the Licence Conditions are kept as high level as possible.

4.45 Whilst the Licence Conditions themselves are not overly prescriptive, the Government does have a number of expectations in relation to the set-up and operation of the CDB. These have been included within the different sections on the CDB below. If the CDB arrangements do not meet these expectations, the Government will take a view on whether the Licence Conditions need to be reviewed.

4.46 With regard to the role of smaller suppliers in relation to the CDB, the Government has concluded that domestic small suppliers should be required to contribute to the

CDB's fixed operating costs[15] after set-up. This would mean that they would have an involvement with the Body, whilst not being over-burdened financially or administratively. Small suppliers will benefit from smart meters being explained and promoted to the public. They will also have the same responsibility as the larger suppliers to help their customers use smart metering to better manage their consumption. However, the Government also recognises that some of the CDB's potential activities may not be appropriate for small suppliers with highly localised or niche customer bases, and this would make allocating all CDB costs on the basis of market share overly simplistic. The alternative option of small suppliers contributing on the basis of a menu of activities would be a difficult and time-consuming process to agree and administer. Requiring small suppliers to contribute funds to the set up of the CDB would place a disproportionate burden on them, as it would result in them having to contribute some personnel resource which many small suppliers would find difficult given their small staff numbers. The role of small suppliers in the CDB's governance arrangements are set out below.

4.47 The Government's conclusions in relation to the involvement of other industry participants are set out within the Governance section at paragraph 4.96.

4.48 In setting up and running the CDB, suppliers will need to act in accordance with competition law.

Central Delivery Body – purpose, objectives and activities

Consultation positions and proposals

4.49 The Consultation and supporting Licence Conditions included a set of objectives intended to deliver an integrated engagement programme focussed on promoting support for and acceptance of smart meters, as well as on behaviour change that delivers energy savings. The Consultation stated that the Government did not wish to prescribe detailed CDB activities in Licence Conditions. However, it did suggest the sort of activities that it would expect the Body to undertake and proposed that the CDB could use a separate brand which could help to mitigate relatively low levels of consumer trust in energy suppliers and position the roll-out as a national programme.

4.50 The Consultation also proposed that the CDB should facilitate and coordinate the involvement of third parties (such as charities or community groups) in its consumer engagement activities. In order for the delivery body to co-ordinate effectively with local third party agencies, it was suggested that it would be helpful for the CDB to have visibility of suppliers' roll-out plans.

4.51 Finally, the Consultation asserted that the CDB would be expected to take an evidence-based approach to planning its activities and that cost-effectiveness of activities and value for money would be important.

[15] Defined in Licence Conditions as costs relating to (i) renting and maintaining premises, (ii) staff recruitment, salaries, and benefits, and (iii) purchasing and maintaining office equipment, including IT and telephony equipment, and such other costs of administering the Central Delivery Body on a day-to-day basis that are not normally affected by the daily business activities undertaken by the Central Delivery Body.

Evidence

4.52 The following questions were posed in the Consultation on the objectives and activities of the CDB:

Relevant Consultation Questions	
8.	**What are your views on the proposed objectives for the Central Delivery Body? Are there any additional objectives which should be included?**
9.	**What are your views on the suggested activities for the Central Delivery Body?**
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? Please explain your views. Do you have any alternative suggestions?**
25.	**Do you agree with the way the objectives are drafted in the Licence Conditions? Should they be more or less detailed?**
20.	**What are your views on the need for the Central Delivery Body to establish an outreach programme?**
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?**
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?**

4.53 Respondents generally agreed with the themes for the high-level objectives set out in the Consultation. Some stakeholders, such as consumer groups, expressed the view that they should be strengthened and made more prescriptive. Another asked for the objectives to be more outcome focussed. Suppliers were broadly supportive of the proposed objectives in the Consultation document, but asked for them to be as non-prescriptive as possible in Licence Conditions to allow the CDB the flexibility to use the most appropriate engagement methods and messages to deliver its objectives.

4.54 There was some disagreement as to whether behaviour change and driving energy efficiency ought to be specific objectives, with some respondents agreeing and others saying suppliers could not be responsible for energy saving behaviour change. A small number of respondents said promoting access was an important objective. Several respondents suggested that the objectives should be underpinned by specific KPIs.

4.55 A group of respondents welcomed the objective to support vulnerable consumers and some wished to see more detail on how this was to be achieved. Two respondents suggested time of use tariffs ought to form part of the engagement objectives. Other specific suggestions for additions to the objectives included a focus on demand response; facilitating co-ordination of roll-out; ensuring the involvement of third parties in engagement; and a more proactive focus on creating positive media coverage.

4.56 The suggested activities outlined in the Consultation were broadly viewed as sensible, though there were differing views as to whether these ought to be set out in Licence Conditions or whether they should be left for the CDB to decide. A small number of respondents wanted to include requirements to learn from best practice and to take an evidence-based approach. Another group of stakeholders said that the CDB ought to be a source of independent consumer advice and energy management education for consumers, with one stakeholder suggesting it ought to run an advice line for consumers.

4.57 In terms of outreach, most respondents to this question agreed that an outreach programme would be beneficial. It would help ensure consistency of messaging and extend the reach of consumer engagement, particularly to vulnerable consumers. Consumer groups, in particular, argued that it would be a highly important or vital element of the CDB's work. Others, including some large suppliers, felt there should be limits to the CDB's role in this area, suggesting, for example, that it should focus on the provision of generic materials and information packs and act as a contact point for trusted intermediaries and third parties. Some respondents felt that the outreach programme run by Digital UK provided an example of best practice in this area.

4.58 It was noted by some respondents, that some energy suppliers already have their own outreach programmes in place and that CDB activities needed to be complementary or use existing channels wherever possible to minimise costs and maximise effectiveness.

4.59 In response to the question on sharing roll-out plans, respondents fell into two groups: a majority was in favour and a sizeable minority was broadly against. Those in favour gave reasons such as: it would help with targeting consumer engagement activities; enable the CDB to influence roll-out plans; and provide a spur to take action in a particular area. Some respondents felt it was essential for this information to be provided, whilst others were in favour but noted commercial sensitivities. Some suppliers, both large and small, had reservations or were against providing detailed roll-out plans. Some felt the information should just be provided at a macro or Distribution Network Operator area level, whilst others noted that plans were subject to change and could be commercially-sensitive. Small suppliers noted that some suppliers were not big enough to have detailed roll-out plans.

Government conclusions

4.60 The Government has taken the diverse views of respondents on the CDB's objectives into account and concluded that the CDB should fulfil the following **purpose**:

> The purpose of the CDB is to deliver consumer engagement activities which contribute to a cost-effective smart metering roll-out and the realisation of consumer benefits, particularly those related to reducing energy consumption.

4.61 Larger suppliers will be required by Licence Conditions to ensure that the CDB fulfils its purpose by delivering the following **objectives**:

1. To build consumer confidence in the installation of smart meters.

2. To build consumer awareness and understanding of how to use smart meters and the information obtained from them.

3. To increase consumer willingness to use smart meters to change their behaviours so as to enable them to reduce their energy consumption.

4. To assist vulnerable, low income and pre-payment consumers to realise the benefits of smart metering systems while continuing to maintain an adequate level of warmth and meet their other energy needs.

4.62 Whilst the focus of this Chapter is on domestic consumers, it should be noted that Objectives 1-3 will also apply to non-domestic micro-business consumers, but only where domestic engagement activities can be cost-effectively adapted and supplemented to meet micro-business engagement needs. Further details on the engagement of non-domestic consumers can be found in Chapter 5.

4.63 The objectives are in many ways similar to those proposed in the Consultation to reflect the fact that the majority of respondents agreed with their broad intention. However, a purpose has been added to frame the work of the CDB and the objectives have been adapted to become more focussed on outcomes. The intention here is to allow the CDB the flexibility to determine the most effective engagement methods to meet its objectives. The Government is also of the view that focussing on outcomes, rather than activities, will prevent a situation where the CDB could have met all of its objectives when it had undertaken its stipulated activities, even if there had been only minimal positive consumer impacts.

4.64 Although the main focus of the objectives is on facilitating consumer energy consumption benefits, it is recognised that the work of the CDB will also have an impact on other consumer benefits. For example, the engagement activities of the CDB may make consumers more receptive to messages from suppliers about other benefits, such as improved payment methods for pre-payment meters, and reduced risks of getting into debt due to bill estimation.

4.65 An objective on vulnerable and low income consumers has been included in recognition of the need to overcome or mitigate the barriers to engagement for these groups to enable them to realise the benefits of smart meters. For example, low income consumers may feel they have less scope for reducing energy use, as they may believe they are economising to the maximum extent possible. They may, therefore, view a smart meter as being of little benefit to them, and the CDB and suppliers will need to find a means of ensuring that they see positive reasons for accepting a smart meter and using it to manage their energy use.

4.66 The CDB will also need to tailor engagement material for vulnerable consumers such as those with sight, hearing or speech impairments. Similarly, adjustments to material may need to be made for those consumers with limited literacy or numeracy skills and those whose first language is not English. Other vulnerable consumers may be unfamiliar with, or lack experience of, digital technology and may find using an IHD difficult.

4.67 The Government is also concerned to ensure that vulnerable consumers do not react to information from the smart meter display in a way that is dangerous to their health by, for example, turning down the thermostat too low during periods of cold weather. This could be particularly dangerous for older people or those with health conditions. The Government would expect that for these groups energy saving messages would incorporate the need to maintain safe temperatures within the home including, in some cases, a focus on the opportunity to increase thermal comfort without increasing bills.

4.68 The regulatory framework has tended to define specific sectors of the population as vulnerable, i.e. based on age, disability and chronic illness. However, the Government agrees with respondents' views that these categories would not capture all groups of consumers who would be vulnerable in the context of a smart meter roll-out, such as those with language and/or literacy problems. It has, therefore, taken a broader approach to defining vulnerability in the Licence Conditions: *'energy consumers with low incomes and those who face additional barriers to accessing the benefits of smart metering because of personal circumstances or characteristics'*. This definition is consistent with proposals made in Ofgem's consultation on a new Consumer Vulnerability Strategy.

4.69 Pre-payment customers have been included within the CDB's objectives in recognition of the fact that they will have different experiences of smart meters to other consumers. As discussed in paragraph 4.21, pre-payment customers will experience changes to their payment methods following smart meter installation. They also tend to have different understanding of their energy use than credit customers, which means that they may benefit from smaller energy efficiency gains than credit customers. Smart pre-payment will, however, bring other substantial benefits to customers in the form of a wider choice of more convenient payment methods. All of these factors will need to be taken into account when engaging pre-payment customers.

4.70 The rationale for the inclusion of non-domestic micro-businesses within the scope of the objectives is set out within Chapter 5.

4.71 Consideration was given to incorporating levels of consumer benefits, such as energy savings, within the objectives. However, the Government acknowledges the difficulties in attributing specific levels of energy savings to the activities of the CDB at the present time. It has instead concluded that larger suppliers should be required to work with Government to develop a means of assessing the success of the CDB, including by using relevant standards such as KPIs and targets. These standards will form part of a wider CDB performance management framework. Further details of how the performance of the CDB will be assessed can be found at paragraphs 4.128 – 4.132 below.

4.72 In terms of **activities**, the Government continues to expect that suppliers will ensure that the CDB meets its objectives by undertaking a range of activities including:

- development and implementation of motivational campaigns to raise awareness of smart metering and how they can be used to help consumers save energy;
- providing energy efficiency advice and guidance (both via suppliers and through third parties) that relates to the smart meter roll-out;
- using different channels to address consumer concerns and explain the benefits of smart metering to consumers and other parties (including the media);
- engaging vulnerable and low income consumers to provide additional support in relation to the smart meter roll-out where needed;
- working with suppliers to ensure that pre-payment customers receive consistent messaging tailored to their needs to ensure that they can access all the benefits of smart pre-payment; and
- outreach - ensuring that third parties who can act as trusted messengers are engaged and supported to fulfil this role.

4.73 Larger suppliers will be specifically required by Licence Conditions to ensure that the CDB takes into account the need to:

- co-ordinate with third party trusted intermediaries;
- undertake coordinated activity where required to meet the needs of distinct community populations (e.g. distinct by geography, payment methods, dwelling type etc.);
- provide extra help for vulnerable consumers.

4.74 These requirements are intended to address concerns that the CDB would place insufficient emphasis on providing extra help to meet the needs of vulnerable consumers or on outreach. Co-ordinated outreach action by the CDB will reduce the burden on third parties from potentially having to work with a number of suppliers simultaneously. The Government is aware that uniform depth of community outreach may not be possible in a nationwide (rather than regional) roll-out, but wide coverage should be the aim of the CDB.

4.75 Larger suppliers will be required by Licence Conditions to ensure that the CDB delivers its objectives and activities in a manner which is transparent, impartial, cost-effective and represents value for money and avoids distorting competition. The Government also expects the CDB to take account of DECC messaging and wider policies, and to take an evidence-based approach to planning its activities. This should include learning from the Programme's, and the CDB's own research and trialling.

4.76 Although only larger suppliers will be responsible for setting up the CDB and ensuring that it meets its objectives, all suppliers are required by Licence Conditions to co-operate with the CDB. It is expected that this will include disseminating CDB material and providing relevant information about roll-out and consumer engagement plans in order to aid third party coordination. It is acknowledged that this must be done in a way that does not undermine commercial confidentiality or have an adverse impact on individual supplier competitiveness. Where suppliers share sufficiently detailed roll-out plans in good time such that the CDB can plan accordingly, we would expect the CDB to support suppliers with local engagement, where cost effective.

Central Delivery Body – governance

Consultation positions and proposals

4.77 The Consultation stated that it was the Government's intention that the CDB should have a governance framework which would ensure an appropriate balance between:

- the Programme giving high-level direction;
- an independent element to the CDB's direction;
- effective external advisory input;
- respecting suppliers' responsibility for funding and delivery; and
- the CDB being able to function effectively, with efficient decision making and the flexibility to respond to events on the ground.

4.78 The Consultation and supporting draft Licence Conditions proposed the following governance framework to meet the above criteria:

- for the Programme to set broad high level objectives (as discussed above);
- for any new CDB to have members and directors that are independent of suppliers; and

- for the CDB to set up an independent Expert Panel which would provide advice on how to best achieve the objectives. The panel would include experts on engagement, consumer protection, behaviour change and other relevant areas.

4.79 The Consultation also noted that any governance model for a central consumer engagement function established by suppliers would need to take into account the impacts on competition and the requirements of competition law.

4.80 The draft Licence Conditions reflected the above positions. They required larger suppliers to create an independent CDB at corporate level, whilst allowing suppliers to ensure that the CDB effectively delivered their regulatory obligations via a contractual Engagement Agreement between themselves and the CDB.

4.81 The structure and size of the CDB, as well as its administrative arrangements and day to day running were not prescribed in the draft Licence Conditions. The conditions did, however, include detail on how effective advisory input should be obtained from an Expert Panel consisting of independent experts.

Evidence

4.82 The programme has obtained evidence on the proposed approach to governance through respondents' answers to the questions below and a series of stakeholder workshops.

Relevant Consultation Questions	
14.	**How can we ensure that the Expert Panel attracts a sufficient level of expertise?**
15.	**Do you foresee any conflicts between this [Governance] 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?**
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**
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?**
18.	**What role, if any, should network companies and communications service providers have in central engagement?**
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?
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?**
28.	**Do you agree with the form and content of the Engagement Agreement as drafted in the Licence Conditions? Please explain your views.**

4.83 A common theme across many responses on this subject was the need for the CDB to act impartially and to have an element of independence. However, a diverse range of views were expressed on how this could be achieved.

4.84 A small number of respondents emphasised that the CDB should be totally independent of energy suppliers, whilst others felt that it should be independent of DECC and Ofgem. Conversely, some felt that the CDB should be Government-driven and chaired by DECC. The need for an independent Chair received some support.

4.85 Some larger suppliers and a number of other respondents felt that suppliers should not be asked to fund the CDB and have responsibility for its results without any involvement in the governance of the body. It was also noted that total independence of the CDB could make it difficult for larger suppliers to be accountable for its performance. However, in considering the suppliers' involvement in the governance, it was noted that it was important that the CDB should not be perceived to be the "mouthpiece of the energy industry".

4.86 A fairly common view was that suppliers should be represented to some extent on the Board, either individually or through a representative organisation, but there were varying views on the balance of their role or control over any Board.

4.87 Several respondents expressed the view that the CDB should not be dominated by suppliers or any other group and many noted a need for a wide range of stakeholders to be either represented or involved in its governance, with suggested stakeholders ranging across government, suppliers, consumer groups, network operators and charities with community backgrounds. Some respondents encouraged the Programme to consider adopting a similar approach to governance to that used by Digital UK. Other respondents commented that DECC should have some form of role in the CDB's governance.

4.88 There was wide agreement among respondents that appropriate expert input to the CDB would be important. Most stakeholders felt that attracting the right people would not be a problem, assuming there were an appropriate recruitment exercise and a level of remuneration that would be attractive. Suggestions as to the kinds of expertise required included: behaviour change; consumer research and insight; engagement and marketing communications; energy feedback; delivery; technical aspects of smart metering and logistics; networks and smart grids; and the non-domestic sector. Several suppliers felt there should be supplier expertise on expert or advisory panels, with one suggestion that such experts could sign a confidentiality agreement to assure independence. A small number of respondents felt that expert panels were not the only way to bring in outside expertise and that more flexible mechanisms, such as an arrangement of advisory groups with wide ranging and variable input, could be established.

4.89 While almost all respondents were in favour of incorporating some form of expert involvement into the CDB, there was a concern that this shouldn't be "over-regulated". In particular, the CDB should be able to retain flexibility over how and when it obtained expert advice.

4.90 A range of additional detailed points on the expert panel were also made. These included a concern as to whether the requirement for the CDB to merely "consult and consider the views" of the expert panel would give the panel enough influence to attract and keep the right level of expertise. Concern was also expressed that, by definition, experts couldn't be wholly independent from industry. Some suppliers were concerned that the panel would have too much freedom to establish its own procedures – they wanted the panel to refer back to the Board to ensure its work was consistent with the business plan or for there to be supplier representation on the panel for this purpose. Some, but not all, energy suppliers had concerns over the proposed role of the Secretary of State in the appointment process.

4.91 On the question of whether the proposed governance approach would conflict with competition law, the majority agreed that there would be no conflict. Several noted that this would be the case as long as the body was run on a non-competitive, non-profit making basis, with clear scope, guidelines, purpose and governance, within a regulatory framework. One supplier said that, to avoid any risks of infringement, the CDB would need to ensure that its scope was confined to engagement and not stray into deployment. Another respondent noted that there could be a risk of conflict if centralised delivery was solely supplier-led.

4.92 With regard to the Engagement Agreement in the Licence Conditions, there was general agreement among larger suppliers that the proposed model was unnecessarily complicated and gave suppliers very little control of their funding. They also said it was not clear how suppliers could challenge the size of the CDB's budget – a "reasonableness test" and dispute resolution route was needed. Overall they felt it left suppliers in a position where they were accountable for the CDB's performance, but had little influence on the Body. It was noted that the model was different from any other existing arrangements established in industry.

4.93 Evidence on the role of small suppliers in relation to the CDB was set out at paragraphs 4.36 - 4.40 above. With regard to the involvement of network operators, around half of the responses were from network businesses, who all felt there should be a role, particularly given that the CDB may produce communications on network benefits and issues (such as improved notifications to consumers about outages, networks dealing with faults following problems at installation, etc).

4.94 Across all types of respondent, none said that networks should be involved on the CDB Board or have a central role. Generally, respondents felt the role should be an advisory one, possibly formalised, with input into developing messages. Some suggested that representation could be through the Energy Networks Association. Only one respondent (a small supplier) said networks should contribute to funding, on the basis that they would be future beneficiaries from the roll-out.

4.95 Few respondents made any mention of communications service providers, and those who did saw no real role for them in the CDB.

Government conclusions

4.96 The Government remains of the view that larger suppliers should be charged with setting up the CDB's governance framework in line with requirements set down in Licence Conditions. This is consistent with its wider conclusions on the set-up and funding of the CDB.

4.97 The Government has taken on board views that it will be difficult for suppliers to be accountable for the achievement of the CDB's objectives if they are not members of the Body and if they are not represented on the CDB's Board of Directors. It has, however, also recognised the need to retain impartiality and an element of independence if the CDB is to have credibility with consumers. In response, it has concluded that Licence Conditions should require larger suppliers to set up a CDB Board of Directors composed of:

- Independent Chair (casting vote only)
- 6 directors nominated by and representing larger suppliers
- 2 directors nominated by and representing small domestic suppliers
- 2 directors nominated by and representing relevant non-domestic suppliers
- 2 directors nominated by Consumer Focus[16]
- 2 other directors representing energy consumers' interests.

4.98 The Licence Conditions will also contain provision for DECC and Network Operators to be invited to send representatives to the Board as observers. The CDB has the option to invite additional third parties if the Board collectively wishes.

4.99 The Independent Chair will be appointed by the larger suppliers and it is anticipated that he or she will then assist with the recruitment of other Board members. The Government will hold power of veto over the choice of Chair to ensure independence.

4.100 The Directors will not need to be employees of the organisations they represent. The Government expects that the four directors representing energy consumer interests (Consumer Focus and two others) should represent the full range of consumer interests, including domestic, non-domestic, vulnerable and pre-payment consumers.

[16] The statutory name for Consumer Focus is the National Consumer Council (used in licence conditions).

It should be noted that arrangements with regard to a national consumer body (currently Consumer Focus) are changing and the Government would expect Consumer Focus to work with Citizens Advice to agree appropriate representation on the Board in the light of evolving responsibilities. This might include, for example, one representative from Citizens Advice and one from the forthcoming Regulated Industries Unit. These changes are part of the Department for Business Innovation and Skills wider work to make improvements to the Consumer Landscape (set out in the Government Response to the Consultation on Institutional Reform of April 2012). The work of the CDB should complement these changes and it should work closely with the Citizens Advice Service and the Regulated Industries Unit.

4.101 At the time of CDB set-up, the term relevant non-domestic suppliers refers to micro-business suppliers. The rationale for this decision is set out within Chapter 5.

4.102 The Board will be responsible for the decisions of the CDB. Decisions must be made in accordance with a voting procedure which provides each Director, other than the Chair with a single vote on each decision to be taken. Decisions should be made by majority vote. The Chair will able to exercise a casting vote, but only where the number of votes for and against a decision is equal.

4.103 It is expected that key responsibilities of the Board would include: ensuring that the chief executive has the support he or she needs to further the purpose and objectives of the CDB; ensuring effective planning for the achievement of the CDB's objectives; monitoring and strengthening the CDB's programmes and services; ensuring adequate financial resources; protecting assets and providing proper financial oversight; ensuring legal and ethical integrity and enhancing the organisation's public standing.

4.104 The Directors will be required to exercise independent judgement. This requirement, combined with the requirement for the CDB to act in an impartial manner and to meet pre-set objectives, will ensure that the CDB is fully focussed on delivering a programme which contributes to both the installation of smart meters and the realisation of consumer benefits.

4.105 The Government has also included a requirement in Licence Conditions for larger suppliers to obtain and give full consideration to expert advice that will help the CDB achieve its objectives. The Licence Conditions do not stipulate what areas of expertise the Board would need to consider, but it is expected that as a minimum, advice would be needed on:

- technical and operational features of smart meters;
- operation of the network;
- energy services market;
- consumer protection ;
- engagement/communications/marketing; and
- behaviour change.

4.106 It will be left to the larger suppliers to determine what additional personnel resources are needed for the effective operation of the CDB. However, it is likely that, as a minimum, a secretariat function will be required to support the Board in preparing information and in managing the expert advice function outlined above. The larger suppliers may also consider it useful to create an audit function within the Body.

4.107 The revised Licence Conditions contain less detail on expert panel funding arrangements, appointments and reporting processes than was included in the Consultation Licence Conditions. In addition to meeting respondents' concerns that there was the potential for over-regulation in this area, this is intended to give the CDB more flexibility over how and when it obtains expert advice to help it achieve its objectives.

4.108 With regard to the establishment of an Engagement Agreement, the Government has taken on board stakeholders' concerns and concluded that this does not need to be prescribed in Licence Conditions. However, given that the larger suppliers will be ultimately accountable for the achievement of the objectives set down in Licence Conditions, it is very likely that they will still wish to draft such an agreement to ensure that they have a legal mechanism for ensuring that the CDB delivers these objectives on their behalf, in return for the provision of funding.

Central Delivery Body – funding levels and mechanisms

Consultation positions and proposals

4.109 The Consultation stated that it was not the Government's intention to prescribe funding levels for the CDB, although it emphasised that cost-effectiveness and value for money would be viewed as important.

4.110 As noted above, the draft Licence Conditions included detailed provision for an "Engagement Agreement" which the CDB and larger suppliers would be required to enter into. This would have required suppliers to fund the costs of the Central Delivery Body 'that are reasonably incurred by it in operating in an efficient and cost effective manner that achieves value for money'. These costs would have had to have been within the financial limits of the CDB's annual budget.

4.111 Larger suppliers were also separately required by the draft Licence Conditions to establish a CDB funding mechanism (based on their respective market shares) and to ensure it operated in an efficient and cost effective manner that achieves value for money.

Evidence

4.112 A number of questions were posed in the Consultation that related to CDB funding levels and mechanisms:

Relevant Consultation Questions	
11.	**How can we ensure sufficient effort and funding to achieve the objectives is balanced against the need to keep costs down?**
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?
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 could be included?**

4.113 Many respondents expressed a desire for the CDB to develop annual costed plans. Some respondents suggested it should be a three or five year planning period, with funding ring fenced for the duration.

4.114 A small number of respondents suggested it was for the Government to monitor expenditure, or to set a cap on, or an expectation of, funding. A roughly equal number of other stakeholders suggested that funding levels would flow naturally from the campaign planning the CDB would undertake in order to run national promotional campaigns and engage voluntary sector partners. However, this should be managed with close cost control measures, reinforced by public transparency over expenditure and value for money. A few respondents proposed that the CDB's governance structure and the use of appropriate experts in financial management would also help provide this cost control. A small number of stakeholders raised concerns that costs would flow back to consumers and said that this must be avoided or minimised.

4.115 Respondents' views on the Engagement Agreement are set out at paragraph 4.92 above. Respondents' views on supplier funding of the CDB are set out at paragraphs 4.31 to 4.41.

Government conclusions

4.116 The Government has considered the wide ranging responses on this issue and has concluded that it would not wish to set a budget for the CDB. The detail of the activities, and therefore the costs of the CDB, will be established in an iterative process, and in view of this, the Government would not want to constrain the CDB's future funding requirements. We estimate the present value cost to be £87 million.[17] This figure is not to be seen as a budget or a spending cap, but is an estimated figure based on the most relevant available evidence.

4.117 Although the Government does not intend to set a budget for the CDB, there are a number of mechanisms which will ensure that the costs of the CDB remain at a reasonable level. As noted above, consumer groups will be represented on the Board of the CDB and the Chair will be independent. The larger suppliers will be required by Licence Conditions to ensure that the CDB undertakes its consumer engagement activities in a manner which is cost-effective and represents value for

[17] DECC (April 2012): Impact Assessment: Smart meter roll-out for the domestic sector (GB) (http://www.decc.gov.uk/en/content/cms/consultations/cons_smip/cons_smip.aspx#impact)

money. A requirement will also be included for an annual budget and an annual report to be published. The latter will need to include details of the CDB's efforts to secure value for money in achieving its objectives.

4.118 In terms of funding mechanisms, Licence Conditions will require larger suppliers to establish a mechanism to allocate capital and CDB engagement activity costs between themselves on a market share basis, as well as to work with smaller suppliers to establish a mechanism to allocate fixed operating costs between all domestic suppliers on a market share basis (see paragraph 4.46). As noted previously in this section, larger suppliers may wish to use a mechanism such as an Engagement Agreement to require the CDB to deliver its objectives in return for the provision of funds, as well as ensure that it does this in a cost-effective, value for money manner.

Central Delivery Body – planning, monitoring, reporting and holding to account

Consultation positions and proposals

4.119 In terms of planning, the Consultation's draft Licence Conditions contained a requirement for larger suppliers to develop a written Consumer Engagement Programme which would set out how the CDB will deliver against its high-level objectives. The draft Licence Conditions also required the CDB to publish an Annual Report setting out steps it has taken to implement the Programme, the extent to which it has achieved its objectives, and its performance against the annual budget.

4.120 The Consultation stated that the Programme would monitor levels of consumer engagement and benefits. It noted that, in line with normal practice, if a regulatory approach were taken, enforcement of any Licence Conditions would rest with Ofgem.

Evidence

4.121 The Programme explored the approach to planning, reporting, monitoring and holding to account through the Consultation questions below and a series of stakeholder workshops.

Relevant Consultation Questions	
10.	**Do you have any views on mechanisms for monitoring progress and holding suppliers to account in delivering objectives?**
27.	**Do the Licence Conditions effectively underpin the policy intention of the function of the CDB? Are there any additional functions that you think should be explained in the legal drafting? Please explain your views.**

4.122 There was general agreement amongst respondents on the importance of clear accountability for the performance of the CDB, but a difference of opinion on where accountability should lie. Consumer groups and special interest groups generally argued for strong accountability of suppliers. Some suppliers and other stakeholders made the point that suppliers cannot be held to account for the actions of a body which they do not control.

4.123 Some respondents felt that suppliers should hold the CDB to account, effectively acting as ‘shareholders’ in the organisation. Others expressed the view that accountability should rest with the CDB itself as an independent body, with suppliers at some distance providing constructive criticism.

4.124 A small number of stakeholders, including a consumer group, felt the Government ought to have a stronger role in governing the CDB than that proposed in the Consultation. Others proposed Ofgem as the organisation that would naturally hold suppliers to account. One small supplier proposed that an independent third party should monitor progress, while a large supplier said that differing levels of input from Government and consumer groups meant they too were accountable to some degree. The point was also made that there was a need for greater clarity on how any failure of the CDB would be established, what penalties would ensue and how they would be applied.

4.125 Some respondents felt that the draft Licence Conditions would not ensure that anyone was accountable for achieving the CDB’s objectives, and there was no ability for Government, suppliers or Ofgem to step in the event of failure.

4.126 A number of stakeholders felt that transparency over the dealings and progress of the CDB would act to support good governance and accountability. A very small number of respondents suggested that Licence Conditions could provide for either financial incentives for suppliers if the CDB hit KPIs or penalties if it did not. Two respondents suggested the Smart Energy Code as a means to monitor the progress of the CDB.

4.127 On the question of measuring progress, some respondents felt that this question was for the Monitoring and Evaluation Strategy[18] and should be covered under that Consultation. A significant number of stakeholders talked about the need to establish KPIs and set benchmarks. KPIs mentioned included: awareness; energy literacy; property types; IHDs installed; and reach with vulnerable audiences. Some respondents felt that energy savings could not be an effective KPI, as savings could not be directly attributed to the CDB. It was suggested that consumers’ understanding of how to save energy and their willingness to do so would make better measures.

[18] DECC (December 2012): Smart Meters Programme: Government Response to Consultation on Information Requirements for Monitoring and Evaluation,(http://www.decc.gov.uk/en/content/cms/consultations/sm_evaluation/sm_evaluation.aspx)

Government conclusions

4.128 In terms of monitoring the CDB's performance, the Government has taken into account respondents' views that it will be difficult to attribute specific levels of consumer benefits (such as energy savings) to the activities of the CDB. However, it is also mindful of the need to be able to effectively assess the success of the CDB in achieving its purpose and objectives, including how far its activities, combined with those of individual suppliers, are meeting the Consumer Engagement Strategy aims and the programme objectives. As noted at paragraph 4.71 above, the Government has therefore concluded that the best means of achieving this is to require larger suppliers to work with Government and other stakeholders to develop a means of measuring the CDB's performance against its objectives. This will include the use of a range of relevant standards such as KPIs and targets.

4.129 Larger suppliers will be required by Licence Conditions to ensure that these standards are incorporated into a wider performance management framework. The Government will require larger suppliers to ensure that, as a minimum, the Performance Framework enables an assessment to be made of:

- the CDB's performance against its purpose and objectives (including by using the performance standards identified through the process at paragraph 4.128);

- the effectiveness of the CDB's activities in delivering its objectives; and

- how the CDB has adapted its plans to take into account DECC Programme monitoring data, as well as its own performance monitoring data.

4.130 The Government expects larger suppliers to ensure that the CDB works with DECC to ensure that the Performance Management Framework is consistent with DECC's Monitoring and Evaluation Strategy. The Framework should be reviewed annually and reports against the Framework should be submitted regularly to the Board of Directors. These performance reports should contain sufficient information to allow the Board to track the CDB's performance against its objectives and to determine if any remedial action needs to be taken.

4.131 In addition to developing a Performance Management Framework, larger suppliers will be required by Licence Conditions to ensure that the CDB:

- produces an annual Consumer Engagement Plan (CEP) which sets out how the CDB will deliver against its high level objectives. The Government expects that the CDB will take into account both its and DECC's performance monitoring and evaluation data when drawing up and revising this Programme.

- produces an Annual Report. It is expected that this would include:

    - the steps that have been taken to implement the Plan;
    - the CDB's expenditure and efforts to achieve value for money;
    - the CDB's performance against its objectives;

- the effectiveness of its processes and activities in delivering its objectives;
- how it has taken account of and acted on expert advice;
- how it has used its performance monitoring data to update/adapt its plans and processes; and
- how it has used DECC programme monitoring and evaluation data to update/adapt its plans and processes.

4.132 In line with normal practice, Ofgem will be responsible for monitoring and, where appropriate, enforcing compliance with the Licence Conditions.

Central Delivery Body – Timescales

Consultation positions and proposals

4.133 The Consultation proposed that suppliers would set up the CDB during the first half of 2013, with a view to preparing to undertake its activities and publishing its first delivery plans by 31 March 2014. This was intended to ensure that a comprehensive consumer engagement approach was in place before the start of mass roll-out.

Evidence

4.134 Evidence in relation to the timescale for the creation of a CDB was sought through the following Consultation question:

Relevant Consultation Questions	
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?**

4.135 Nearly all respondents said that the timings were achievable but many added that they were challenging. A few respondents felt that some centralised activity should be established sooner, for instance to deal with any negative press coverage. One large supplier felt that the organisation was a “scalable entity” which could start small and build up its capacity.

4.136 A group of respondents were concerned about the timetable, with some expressing the view that a more urgent approach was needed whilst another respondent felt that the only way the timetable could be met would be by selecting an existing body to run the CDB.

4.137 One respondent suggested that the Licence Conditions should remain in place for twelve months after roll-out had been completed so that consumers could still obtain information.

4.138 In addition to considering written responses, the Government welcomed larger suppliers' and Energy UK's commitment at a Ministerial Roll-out Group to accelerate plans for setting up the CDB, as well as putting in place interim arrangements to help manage messages in the press and social media.

Government conclusions

4.139 Given the importance of early consumer engagement to the success of the Programme, but recognising the extent of the work required to establish the CDB, the Government has retained the end of June 2013 timescale for CDB establishment in the Licence Conditions. It is expected that this would include registering the company, the appointment of a Chairman and Directors and the agreement of initial funding mechanisms. A CDB Chief Executive Officer should also have been identified during this period.

4.140 In view of the importance of the CDB's activities in building acceptance and support for smart meters, and the desire across stakeholders for early action, the Government has required that the CDB publish its first Consumer Engagement Plan, Performance Management Framework and Annual Budget by the end of 2013, rather than March 2014. It will be required to produce its first Annual Report by the end of March 2014.

4.141 The Secretary of State will retain the power to disband the Body. It is anticipated that this will occur up to a year after the end of mass roll-out to ensure that those consumers who receive a smart meter towards the end of the Programme are fully engaged and lessons learned about effective engagement are considered, organised and set down for the benefit of other programmes.

Government's role in consumer engagement

4.142 Although the Central Delivery Body and individual suppliers will be predominantly responsible for undertaking consumer engagement activities, Government will retain a role in consumer engagement during the remainder of Foundation Stage and throughout mass roll-out.

4.143 It is anticipated that Government engagement activities will focus on five key areas:

- **Evidence gathering –** As noted in Chapter 3, the Government intends to gather and share evidence during Foundation Stage on what works in engaging and supporting consumers to accept and use smart metering to manage their energy consumption.

- **Helping to build trust and confidence** – It is envisaged that there is likely to be an ongoing role for Government during Foundation and mass roll-out in helping to ensure that accurate information on smart meters is easily accessible for consumers and that any misinformation is mitigated. This would include placing relevant material and website links (for example the CDB's) on the Government website. This could be particularly relevant for issues such as privacy and health where consumers would rightly look to Government or Government agencies for advice and reassurance.

- **Capability building** - As previously noted, the Government believes that some engagement activities will most effectively delivered through third parties such as charities, community groups, housing associations, local authorities and consumer bodies. It is also of the view that any localised engagement campaigns undertaken by the CDB could usefully link to local initiatives around energy efficiency or fuel poverty. Whilst it is envisaged that the CDB will have key role in facilitating co-ordination with third parties, Government may have a role in helping these organisations prepare to work with the Body, for example, by providing relevant training, advice or other support during Foundation.

- **Enabling wider changes to the energy system and market** - Smart metering will help to transform the wider energy sector by supporting policies such as the Green Deal, helping the development of demand-side response and enabling the delivery of new energy management services. Consumer engagement has the potential to help facilitate these changes and the Government will therefore work to ensure that linkages are understood and exploited. Further details can be found in Chapter 6.

- **Identifying engagement gaps -** Whilst the Government believes that the CDB and individual suppliers will engage consumers effectively, it will monitor the impacts of engagement and take steps to adjust or supplement existing engagement mechanisms to fill any gaps during mass roll-out if this is found to be necessary. Further details on monitoring and evaluation can be found in Chapter 7.

Delivering consumer engagement - next steps

4.144 During 2013, the Government will work with suppliers and other stakeholders to assist with the establishment of the CDB, including by supporting the development of the Performance Management Framework referred to at paragraphs 4.129 – 4.130 above.

4.145 The Government is clear that consumer engagement should not wait until the CDB is in existence. In the short-term, therefore, it will continue to work with stakeholders to:

- ensure that accurate information on smart meters is easily accessible for consumers and mitigate misinformation;

- raise consumer awareness of smart meters and the benefits that they can bring; and

- build consumer acceptance of smart meters, without increasing consumer demand which suppliers are not, as whole, ready to meet prior to mass roll-out.

4.146 To this end, Government will take action in the following areas:

- a 'communications network' will continue to implement an Interim Consumer Engagement Plan. This will include sharing Programme and stakeholder consumer engagement experiences; planning; identifying challenges and, where appropriate, developing messaging. Suppliers and consumer groups will continue to be represented at the regular meetings;
- the media will continue to be briefed on the smart metering Programme and inaccurate information will be rebutted;
- the Programme will continue to engage other Government Departments, MPs and others in public office on smart metering;
- the Programme will ensure that smart meters have a place in DECC's wider narrative as part of events, ministerial speeches, written materials and the Government's online space; and
- as noted in Chapter 3, the Programme will also continue to take action to understand and address consumer concerns. In its consultation, the Government highlighted a number of concerns that consumers may have about smart metering. The latest policy decisions in these areas are set out within the box below. These will be communicated by Government to reassure consumers and to help build acceptance and support for the roll-out.

Privacy

The Government has consulted and responded separately on a policy framework for data access and privacy: http://www.decc.gov.uk/en/content/cms/consultations/cons_smip/cons_smip.aspx#data. The guiding principle for this framework is that consumers should have a choice about how their smart metering data is used, apart from where data is required to fulfil regulated duties.

Security

The Consultation recognised that consumers need to know that their smart meter data will be secure. In order to ensure the ongoing security of smart meter systems the Government is taking a 'secure by design' approach, in which security concerns are considered and addressed at every stage throughout the development lifecycle. The Programme is working to ensure that the system is designed to be secure from the outset and that there are risk management controls, alerts and assurances to mitigate risks arising from attempts to attack the network, tamper with the meter or access data. Security is the subject of a consultation, and Government response document which can be found at www.decc.gov.uk/consultations/Default.aspx?status=0&area=43.

Health Concerns

In the Consultation document, the Government noted that some groups and individuals are concerned about exposure to electro-magnetic fields (EMF) emitted from smart metering equipment.

Since the publication of the consultation, the Health Protection Agency (HPA) has published public information on its website about smart meters www.hpa.org.uk/Topics/Radiation/UnderstandingRadiation/UnderstandingRadiationTopics/ElectromagneticFields/SmartMeters/ and its assessment of the evidence base, which is that:

- the evidence to date suggests exposure to the radio waves produced by smart meters do not pose a risk to health;
- assessments made in other countries that use smart meters have found exposures that are low in relation to internationally agreed guidelines;
- HPA will be carrying out research to assess exposures from the devices as the technology is rolled out.

The HPA considers exposure to radio waves does not provide a basis to decline having a smart meter. Nevertheless, the Government recognises the concerns of a minority of consumers and the Programme will continue to liaise with the Department of Health and the HPA to ensure that it acts in line with the best information and guidance, and to keep the latest evidence under review.

Switching to pre-payment and remote disconnection.

The Consultation document noted concerns over consumers potentially being too easily or readily disconnected or switched between payment methods. It explained that Ofgem has already introduced new Licence Conditions, as part of the Smart Metering Consumer Protections package, to ensure that existing rules around pre-payment and disconnection apply to remote switching and disconnection. Suppliers also have to follow guidance when considering whether it is safe and reasonably practicable for a customer to be offered pre-payment and when establishing whether a customer or other occupants are vulnerable before disconnection. Suppliers have made voluntary commitments to rapidly reconnect customers disconnected in error and to provide these customers with compensation.

Costs to consumers of smart metering

The Consultation noted that there will be no upfront, separate cost to domestic consumers for smart meters or standard IHDs; these will be recovered through the bills of all customers over time. As the roll-out progresses, suppliers will realise cost savings and these will be reflected in customers' bills. The Government recognises that close monitoring of both costs and benefits will be necessary, and has consulted and responded separately on this issue as part of the Programme's Monitoring and Evaluation Strategy.[19] Reporting on consumer, supplier and other costs and benefits is expected to commence in the 2014 DECC annual report.

[19] DECC (December 2012): Smart Meters Programme: Government Response to Consultation on Information Requirements for Monitoring and Evaluation, (http://www.decc.gov.uk/en/content/cms/consultations/sm_evaluation/sm_evaluation.aspx)

4.147 The Government has also welcomed Energy UK's efforts to foreshadow some of the CDB's work by seeking wider media engagement and by monitoring and responding to social network activity on smart metering. It anticipates that this work will continue until such time as the CDB is able to actively engage consumers.

5. The non-domestic sector

Chapters 3 and 4 primarily focus on the Government's strategy for engaging domestic consumers. Smart meters will, however, also be rolled out to certain non-domestic sites in the business and public sectors. Given that non-domestic energy saving is a key element in the smart meter programme business case, this diverse sector will also need to be effectively engaged if the roll-out is to be successful.

This Chapter sets out the Government's conclusions on the most effective mechanisms for delivering non-domestic consumer engagement. Individual suppliers, the energy services sector, the CDB and Government will all have important, complementary roles to play. The CDB will focus on engaging micro-businesses, in anticipation that suppliers and the energy services sector will be the main source of support to non-domestic consumers in reducing their energy usage.

As with domestic consumers, the Government intends to collect more evidence during Foundation Stage to better understand the needs of this sector and to inform engagement methods.

Smart metering and non-domestic consumers

5.1 The Consultation document noted that as well as providing smart meters for 28 million households, the smart metering programme will also result in smart meters being rolled out to certain non-domestic sites.[20] There are over 2 million of these sites, including around 2.1 million electricity and around 1.5 million gas meters. Energy customers at these sites range from micro-businesses[21] to the multiple small sites of very large businesses and public sector organisations. For most of these customers, especially micro-businesses, the installation process will be very similar to that for residential consumers.

Engagement of non-domestic consumers

Consultation positions and proposals

5.2 The Consultation highlighted the importance of identifying appropriate means of engaging non-domestic consumers given that non-domestic energy saving is a key element in the Business Case. It noted that individual suppliers and energy services

[20] Defined as those non-domestic sites in electricity profile classes 3 and 4, and those with gas consumption below 732 MWh per annum.
[21] 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 which consumes less than 50MWh of electricity a year or less than 200MWh of gas a year.

providers will have the primary roles in engaging non-domestic customers and marketing smart products and services.

5.3 The Consultation stated that as for domestic consumers, the Programme is setting rules designed to ensure that micro-businesses receive a positive experience of the roll-out and make the most of their smart meters. It noted that this is in keeping with Ofgem's current regulatory approach to the non-domestic sector which affords greater protections to micro-businesses. For micro-businesses, individual suppliers will, for example, be required to comply with standards in relation to the installation visit, including operating in line with an Installation Code of Practice (ICoP).

5.4 The Consultation went on to point out that due to the variety of third party metering and energy services already available in this sector, and the different requirements of businesses, the obligation to offer an in-home display (IHD) will not apply to non-domestic customers. It is, however, anticipated that suppliers will generally choose to offer either an IHD or, more likely, internet-based feedback.

5.5 The Consultation suggested that in addition to individual supplier and energy services sector consumer engagement, there could also be added value in providing centrally produced information that carried no commercial linkage. It proposed that this could be provided initially by the Programme, and in due course by the mechanism that delivers centralised engagement.

5.6 In the short term, the Consultation proposed that information should be provided by Government to help non-domestic consumers understand current smart and advanced metering offers. For mass roll-out, it was suggested that the CDB should produce a common package of explanatory information similar to that proposed for domestic consumers.

Evidence

5.7 The Programme explored the approach to non-domestic consumer engagement through the Consultation questions below and a follow-up workshop with non-domestic stakeholders.

Relevant Consultation Questions	
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?**
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?**
35.	**What changes might be required to the Licence Conditions at Appendix**

	2 to address the needs of the non-domestic sector?

5.8 Across the responses to the four questions asked in Chapter 4, there was a majority view that engagement with non-domestic consumers would be necessary.

5.9 On the specific question of whether central delivery arrangements should extend to cover micro-business, a large majority of those who responded agreed that the CDB should be active in engaging micro-businesses. This included most energy suppliers (both large and small), consumer organisations and others. Reasons varied, but several felt that micro-businesses are in many ways similar to domestic consumers, suggesting that activities and messaging for households could be adapted to cover micro-businesses. The implication was that this could be achieved without placing significant additional burden or costs upon the CDB, because much of the material, resources and activities prepared for domestic consumers would not require significant amendment to be suitable as generic material for micro-businesses. Some suggested that efficiencies could be derived from the CDB covering both groups of consumers.

5.10 A smaller number of respondents noted that non-domestic consumers have very different characteristics from domestic consumers. Whilst some saw this as an argument for the CDB to be active in this sector, others felt that the diversity of requirements of non-domestic consumers meant that centrally delivered engagement would not be feasible.

5.11 Some respondents said it is important to engage across the wider Small to Medium Enterprise (SME) sector, and not just with micro-businesses.

5.12 There were few substantial comments on the Licence Conditions. Those who responded could be broadly grouped into two: those who were in favour of centralised activity who said that only very minor amendments would be needed to the draft Licence Conditions, and those against centralised activity, who consequently advised against any licence change.

5.13 With regard to the provision of information on smart meters and advanced meters in the short-term, the majority of those who responded to this question agreed that such information would be beneficial. Several noted that care needed to be taken with the type of information provided, suggesting typically that the information should be limited to areas such as benefits, broad information on energy efficiency and initiatives such as Green Deal and explaining the mandatory nature of the roll-out. Other suggestions for information to cover were the benefits of full-specification meters, interoperability and energy services.

5.14 There were some concerns that the provision of information might interfere with the market. For instance, one respondent said the information shouldn't duplicate information provided by energy service companies. Another said it shouldn't extend to information on commercial offers, which is clearly in the domain of the market to provide. One energy supplier said that once awareness levels increase, tailored communications should be left to the market.

5.15 Two respondents were against provision of information, commenting that it was difficult to produce anything meaningful for the wide range of non-domestic customers and that it was inappropriate at this stage to provide information.

5.16 Sixteen respondents provided substantial comments on the current state of the energy services market for non-domestic consumers, and its future development. The majority agreed that the energy services market was well-established with descriptions of it including “competitive”, “effective” and “evolving”. Some commented that it was more effective in some parts of the market than others, such as for larger customers. Some felt it would continue to evolve, grow and innovate. One supplier commented that there would be no role for CDB in this market because it is working effectively.

Government Conclusions

5.17 The Government remains convinced of the importance of non-domestic consumer engagement. Like their domestic counterparts, non-domestic consumers will not benefit fully from smart metering unless they take enduring action in response to the data provided. The Government also continues to expect that individual suppliers, energy service providers, the CDB and Government will all have an important role to play in non-domestic engagement.

5.18 As in the domestic market, individual energy suppliers will play the key role in engaging non-domestic consumers pre, during, and post-installation. Sustained supplier engagement will be key to ensuring that non-domestic consumers make lasting positive changes in the way they manage their energy consumption.

5.19 The ICoP will help ensure that customers receive a good service from suppliers throughout the installation process. The Code will go beyond the need to ensure a smooth installation and will, for example, contain provisions to ensure that customers understand the smart metering system and, are given information about how it can help them to use energy more efficiently. They will also be sign-posted to sources of further information. The Government also expects that suppliers will, as part of their total service to customers, help businesses make the most of the smart meter’s functionality through ongoing management of their accounts and their energy use, and by suggesting measures to make their property and appliances more energy-efficient. It is anticipated that the Energy Services Market will also play a role in this area, for example by providing detailed breakdowns of consumption to support energy management.

5.20 In terms of centralised engagement, the Government has concluded that the larger suppliers should be required to ensure that the CDB engages micro-business non-domestic consumers. However, activities will be limited to instances where steps taken for domestic consumers can be easily adapted and supplemented to meet micro-business engagement needs. As noted in Chapter 4, the scope of the CDB’s objectives has been amended to reflect this position.

5.21 The inclusion of micro-businesses with the CDB’s remit reflects the view expressed by several Consultation respondents that an effective and beneficial level of generic engagement would be possible with non-domestic consumers by using or adapting material produced for domestic consumers. It also recognises respondents’ comments that micro-businesses, in particular, are in many ways similar to domestic consumers and that a significant majority of the 2.1 million electricity and 1.5 million gas meters to be replaced for non-domestic consumers will be found in micro-business properties. A focus on micro-businesses also aligns with the approach taken elsewhere in the Programme and more broadly, for the example, in the Supply Licence (on customer redress) and in the coverage of the Installation Code of Practice[22] and the data access and privacy arrangements[23] for the non-domestic sector.

5.22 It is envisaged that the CDB's activities in support of non-domestic consumers will principally involve ensuring that consistent and accurate information on smart meters is readily available. The Government is of the view that there would be nothing to stop the CDB working with business intermediaries, such as trade associations, if those intermediaries provided a cost-effective way of reaching particular business sectors.

5.23 The Government recognises that suppliers do not ordinarily draw a firm line between micro and small businesses, and, indeed, that businesses will move between these economic and regulatory categories. Whilst it has set licence obligations in respect of micro-businesses, the Government therefore expects that any activity in this area will also benefit many other smaller businesses, and indeed that the CDB will be open to taking their needs into account in its work.

5.24 The Government also recognises that whilst a focus on micro-business in Licence Conditions is at present justified, there is some uncertainty as to whether a reliance on suppliers and other commercial providers will be sufficient to ensure that other relevant non-domestic businesses benefit fully from the roll-out. These businesses account for a substantial amount of energy use and the Smart Metering Programme Business Case benefits. It is expected that the roll-out will provide an opportunity for suppliers and the active energy services sector to support this group in reducing their energy usage. However, the Government has included a power in the Licence Conditions that will enable the Secretary of State to require the CDB to extend its focus beyond micro-businesses if evidence justifies this in the future.

5.25 Ahead of the establishment of the CDB, the Government will publish information about current smart and advanced metering to aid non-domestic customer understanding. It will work with stakeholders to make this information available through a range of channels.

Next Steps

5.26 The Programme will work with stakeholders during Foundation Stage to collect and share knowledge and evidence on the non-domestic market and, if necessary, to

[22] DECC (April 2012): Licence Conditions for a Code of Practice for the Installation of Smart Electricity and Gas Meter – Government Response to Consultation (www.decc.gov.uk/assets/decc/11/consultation/smart-metering-imp-prog/4841-government-response-to-licence-conditions-for-inst.pdf)

[23] DECC (December 2012): Smart Metering Implementation Programme: Data Access and Privacy – Government Response to Consultation, (http://www.decc.gov.uk/en/content/cms/consultations/cons_smip/cons_smip.aspx#data)

review the Consumer Engagement Strategy and the role of the CDB in the light of new evidence. This will include developing a deeper understanding of:

- energy use in the non-domestic market covered by roll-out;
- the energy services market, including the extent to which it will provide for the engagement needs of smaller and medium-sized business customers and to what extent benefits may be delivered through this sector;
- the characteristics and barriers to energy saving in the non-domestic sector; and
- the benefits of smart meters to the non-domestic sector.

5.27 The Government will publish a narrative that draws together information about the smart metering programme for the non-domestic sector.

6. Enabling wider changes to the energy system and market

Smart metering will help to transform the wider energy sector, supporting policies such as the Green Deal and facilitating the delivery of new energy services such as 'Demand-Side Response'. This Chapter examines how consumer engagement might help exploit synergies between smart metering and other energy efficiency initiatives. It sets out the Government's commitment to improving its understanding in this area by potentially undertaking relevant tests and trials, and by ensuring that provisions such as the Installation Code Of Practice do not create barriers to the joining-up of initiatives.

Consultation positions and proposals

6.1 The Consultation document noted that there are a range of Government energy efficiency policies where there are potential synergies with smart metering. For example, smart metering will facilitate the introduction of 'Demand-Side Response' measures (DSR) where consumers will be incentivised to change the time they use electricity to reduce peaks. Increased understanding of energy saving resulting from smart metering could also encourage take-up of the Green Deal by encouraging choices which would increase the energy efficiency of the home, such as installing insulation. In relation to low income consumers at the risk of fuel poverty, the Consultation suggested that suppliers could bring together their activities to meet obligations such as the Affordable Warmth element of the Energy Company Obligation with the smart meter roll-out. They could also use the smart meter installation visit to identify vulnerable consumers and offer them further assistance if necessary.

6.2 The Consultation stated that the Government's initial approach to exploiting synergies between smart metering and wider energy efficiency initiatives would be to look to the market to innovate. In parallel, it would collect more evidence on the benefits of linking smart metering with other energy efficiency interventions in ways that maximise consumer demand and the levels of energy savings achieved. In the medium term, it suggested that further policy analysis would be undertaken to decide whether there is a positive case for adjusting specific policy levers in order to provide additional incentives for suppliers to help consumers save energy in ways enabled by smart metering.

6.3 The Consultation highlighted that developing a better understanding of how consumer engagement could help exploit smart metering/energy efficiency policy synergies would be a key element of this evidence collection process. In the context of this work, it noted that the US Smart Grid Consumer Collaborative has found that the more successful smart meter deployments have messages focussed on benefits that are immediately relevant to consumers and not complicated by references to longer-term benefits.[24] It suggested that it would, therefore, be important for consumer engagement to focus initially on energy savings, consumer experience and customer service benefits. However, in the latter part of the roll-out and as the market develops, it may become more appropriate to include messages about the wider use of smart meters, such as Demand-Side Response.

Evidence

6.4 Respondents were asked to provide views on the following question on this issue:

Consultation Question	
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?**

6.5 In general, respondents agreed with the positions set out in the Consultation document. Only a small number of respondents provided comments on specific areas of this section, for example by highlighting the importance of smart metering to the success of the wider low carbon agenda and initiatives. A number of respondents stressed the importance of smart metering to the future delivery of more flexible electricity demand. A small number of respondents also argued that the Consumer Engagement Strategy presented an opportunity to join up consumer engagement on smart metering with engagement activities supporting wider initiatives such as the Green Deal. No respondent actively disagreed with the Consultation position that the Consumer Engagement Strategy should focus initially on energy saving, consumer experience and customer service benefits.

6.6 Respondents largely accepted the proposal that Government should be examining how to maximise the combined benefits of smart metering and other policies. A range of opportunities to link with the Green Deal were identified. For example, it was proposed that smart meter data could be used to recommend energy efficiency measures, predict individual savings, help consumers to maximise their savings, and to audit the results. Joining up other policy initiatives with the smart metering installation visit was also seen by some consumer organisations as important in relation to low income or vulnerable consumers. Affordable Warmth, the installation of heating controls, and the identification of vulnerable consumers were all given as examples. However a number of energy suppliers argued against any new policy obligation, stating that it would overload the installation visit to layer additional energy efficiency initiatives on top of it or to artificially join up obligations.

6.7 There was a diversity of views about how far, and on what timescale, it would be appropriate to introduce new incentives or to join up existing obligations. Views were, for example, polarised about the extent to which current incentives are sufficient to

[24] US Smart Grid Consumer Collaborative (2011) Collaborative: Excellence in Consumer Engagement 2011 (http://smartgridcc.org/wp-content/uploads/2011/10/SGCC-Excellence-in-Consumer-Engagement.pdf)

ensure that suppliers deliver the full benefits to consumers. Some energy suppliers argued that they already have the incentives in place to ensure customers receive benefits. However a number of non-supplier respondents argued that suppliers were not incentivised to help consumers save energy given that their revenue is based on energy sales. From this, and building on experience in the USA, it was argued that an energy-saving obligation or efficiency feed-in tariff should be developed to facilitate investment in energy efficiency in conjunction with the smart metering roll-out. Whilst some respondents favoured early action, a number supported an approach of further learning and market development, with Government being open to the possibility of incentives evolving in the light of opportunities identified by the further collection of evidence.

Government Conclusions

6.8 As noted above, smart meters will provide a platform for other energy policies and initiatives such as the Green Deal and the Energy Company Obligation (ECO). The creation of the Energy Efficiency Deployment Office within DECC will provide an increased focus on a joined-up approach across the policy landscape. Further thinking about how different policies can reinforce each other has also been set out in the Department's Energy Efficiency Strategy.[25]

6.9 In terms of adjusting policy levers to incentivise suppliers to help consumers save energy in ways enabled by smart meters, the Government has concluded that developments in this area are still at an early stage and it could constrain competition and innovation to introduce new policies prematurely. It will, however, carry out further work in this area to ensure that it has the right evidence in time to inform future policy decisions.

6.10 The Government will continue to assess how consumer engagement can exploit synergies between smart metering and other policies in order to maximise consumer demand and levels of energy savings achieved. It is considering, for example, undertaking tests and trials in this area. In doing so, it is mindful of the need to not overload initial smart metering consumer engagement activities (see paragraph 6.3).

6.11 In the short term, DECC has appointed a communications planning agency to help develop a consumer engagement plan for the Green Deal, as well as to explore how the approach for the Green Deal might fit alongside other DECC policies, including smart metering. In addition, the ICoP Licence Conditions require suppliers to provide energy efficiency advice at the point of installation and to point consumers towards additional, impartial sources of information. It is expected that this will include standard Green Deal material (which does not give energy suppliers an unfair advantage in this market).

6.12 To ensure that there are no barriers to smart metering engagement supporting other initiatives (particularly those targeted at low income or vulnerable consumers) the Licence Conditions that underpin the ICoP do not place any restrictions on the promotion of products and services at the point of installation for which there is no

[25] DECC (November 2012): The Energy Efficiency Strategy: The Energy Efficiency Opportunity in the UK (http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/saving-energy-co2/6927-energy-efficiency-strategy--the-energy-efficiency.pdf)

direct charge to the customer. This may be particularly relevant to customers who are, for example, eligible for measures under ECO and would include products that suppliers may offer to vulnerable consumers, such as carbon monoxide monitors. The installation will also provide an opportunity to identify customers who might benefit from follow-up contact to discuss ECO measures, where some customer contribution is required.

7. Monitoring and evaluating the Strategy

This Chapter explains how ongoing Programme monitoring and evaluation activity will allow an assessment to be made as to whether the aims of the Consumer Engagement Strategy are being met.

An early assessment project will provide one of the main means of assessing the success of the Consumer Engagement Strategy during Foundation Stage. The methodologies developed and used during this stage will be built on during mass roll-out to provide an ongoing way of understanding the impacts of consumer engagement during this period and to inform whether further action is required to achieve the aims of the Strategy.

Programme monitoring and evaluation

7.1 The Government is committed to monitoring and evaluating the delivery of the smart meter roll-out. This will include monitoring progress and evaluating the early impacts of installations during Foundation Stage, as well as monitoring and evaluating costs and benefits during mass roll-out. This is intended to provide assurance to stakeholders, as well as to enable the Programme to take appropriate action if benefits are not being achieved in line with expectations.

7.2 The Programme will publish a series of Annual Reports, starting from the end of 2012. The initial 2012 report will provide a general update on progress, and initial aggregated information from suppliers on numbers of installations and roll-out plans. Further annual reports will provide fuller information as it becomes available. The Government will also undertake a full post-implementation review (scheduled for 2018/19) in order to establish the overall impact of the Programme and to learn lessons for the future.

Monitoring and evaluation of consumer impacts

7.3 As part of Programme arrangements, the Government will monitor and evaluate installation rates and impacts such as energy saving levels. This information will be key to enabling an assessment to be made of how successfully the aims of this Consumer Engagement Strategy are being met, as well as providing an input into the CDB's separate performance management framework (see Chapter 4). The mechanism for the monitoring and evaluation of consumer impacts are set out within separate Monitoring and Evaluation documents www.decc.gov.uk/en/content/cms/tackling/smart_meters/smart_meters.aspx. However, some of the key elements have been highlighted below.

Foundation activities

7.4 During Foundation Stage, the Programme will continue to refine its understanding of the full range of consumer benefits it expects the smart metering roll-out to deliver, as well as how the realisation of these benefits will be tracked. As noted in Chapter 3, the Programme will carry out an early assessment project of emerging consumer impacts from early mover installations. The conclusions from this work will be published in the Programme's Annual Report at the end of 2013.

7.5 The early assessment project will develop and test methodologies for monitoring consumer impacts during the remainder of Foundation Stage and into the mass roll-out stage. Key elements of the project will include:

- developing a robust methodology to determine the impact of smart metering on energy consumption. This will include exploring how and why energy savings are/are not being realised, which will allow the programme to assess whether planned consumer engagement activities as part of the mass roll-out are likely to be sufficient to deliver the Programme’s objectives;

- exploring vulnerable and low income consumers’ experience of roll-out through qualitative research and consumer surveys. This will enable the Programme to form a view as to whether vulnerable and low income consumers have had the same access to benefits as other consumers and what possible actions should be taken if this is not the case; and

- conducting survey work on public attitudes to smart meters in the lead up to mass roll-out. This will help inform where further work should be directed to address consumer concerns and to build confidence and support for smart metering.

7.6 The findings of this work will inform the development of metrics which will be used by the Programme and other parties to assess the impact of different consumer engagement activities and whether the aims of this Consumer Engagement Strategy are being met. It will also inform whether further engagement action is required

Mass roll-out activities

7.7 During mass roll-out, arrangements will be put in place to build on the Foundation Stage work to monitor and evaluate the impact of consumer engagement activities and the achievement of this Strategy’s aims. Reporting will consist of quarterly updates and the Programme's Annual Report, as well as ad-hoc evaluation and research reports. As noted above, the Programme has also committed to carrying out a comprehensive evaluation of the success of the roll-out in 2018/19.

7.8 The Programme will ensure that appropriate information from the monitoring and evaluation process that could helpfully be used to inform future consumer engagement activity is shared with relevant stakeholders (such as the CDB) whilst respecting necessary commercial confidentiality.

Annex 1: Consultation Questions

Chapter 2: Introduction

Consultation Question	
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.**

Chapter 3: Effective consumer engagement

Consultation Questions	
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.)**
3.	**What are your views on community outreach as a means of promoting smart meters and energy saving behaviour change?**
4.	**Have the right evidence requirements been identified for Foundation learning? What other evidence or approaches to research and trialling might we consider?**

Chapter 4: Delivering consumer engagement

Consultation Questions	
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?**
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?**

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?**
8.	**What are your views on the proposed objectives for the Central Delivery Body? Are there any additional objectives which should be included?**
9.	**What are your views on the suggested activities for the Central Delivery Body?**
10.	**Do you have any views on mechanisms for monitoring progress and holding suppliers to account in delivering objectives?**
11.	**How can we ensure sufficient effort and funding to achieve the objectives is balanced against the need to keep costs down?**
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?**
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?**
15.	**Do you foresee any conflicts between this approach (particularly when structured in accordance with the information provided in the rest of this Section) and competition law? If so, what are these and how might they be addressed?**
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?**
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?**
18.	**What role, if any, should network companies and communications service providers have in central engagement?**

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.**
20.	**What are your views on the need for the Central Delivery Body to establish an outreach programme?**
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?**
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?**
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.**
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?**
25.	**Do you agree with the way the objectives are drafted in the Licence Conditions? Should they be more or less detailed?**
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?**
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.**

Chapter 5: The non-domestic sector

Consultation Questions	
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?**
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?**
35.	**What changes might be required to the Licence Conditions at Appendix 2 to address the needs of the non-domestic sector?**

Chapter 6: Enabling wider changes to the energy system and market

Consultation Question	
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?**

Annex 2: Consultation Respondents

	Respondent
1	AgeUK
2	Association for the Conservation of Energy
3	British Electrotechnical and Allied Manufacturers Association
4	British Gas
5	Cable and Wireless Networks
6	CapGemini
7	Carillion
8	Consumer Focus
9	Cornwall Council
10	Digital Outreach
11	DNV KEMA Energy and Sustainability
12	E.On
13	EDF Energy
14	Electralink
15	Electricity North West
16	Elexon
17	eMeter

	Respondent
18	Energy Networks Association
19	Energy UK
20	ESTA - Energy Services and Technology Association
21	Federation of Small Businesses
22	First Utility
23	Fuel Poverty Action Group
24	Gemserv and Capita
25	Good Energy
26	Green Alliance
27	Green Energy Options
28	Haven Power
29	HP Enterprise Services and AMV BBDO
30	IBM
31	ICoSS
32	Intellect
33	James Hutton Institute
34	National Grid
35	National Grid Metering

	Respondent
36	National Housing Federation
37	Northern Powergrid
38	Npower
39	Ofgem
40	Ombudsman Services
41	Open Pipe Group
42	Opower
43	RNIB – Royal National Institute of Blind People
44	Royal Mail
45	SGBI Utilities Group – Now Energy and Utilities Alliance
46	Scottish Power
47	Silver Spring Networks
48	SmartReach
49	SP Energy Networks
50	SSE
51	Stephen Browning
52	Wales and West Utilities
53	Welsh Government

	Respondent
54	Western Power Distribution
55	UK Power Networks
56	USwitch

Annex 3: Draft Consumer Engagement Licence Conditions – Gas supply licence

Condition 39. Smart Metering Consumer Engagement

Introduction

39.1 This condition provides for holders of electricity and gas supply licences to be required to establish, support and monitor the work of a body which will carry out the role of consumer engagement in relation to Smart Metering Systems.

Application

39.2 This condition shall:

(a) apply to the licensee only if it is a Relevant Supplier, a Small Domestic Supplier or a Relevant Non-Domestic Supplier; and

(b) cease to apply from such date as is specified in a direction issued by the Secretary of State.

39.3 Where this condition applies and:

(a) the licensee is a Relevant Supplier, it is not required to comply with Parts B and C;

(b) the licensee is a Small Domestic Supplier, it is not required to comply with Parts A and C;

(c) the licensee is a Relevant Non-Domestic Supplier, it is not required to comply with Parts A and B.

PART A. REQUIREMENTS APPLICABLE TO THE LICENSEE WHERE IT IS A RELEVANT SUPPLIER

Duty to establish the Central Delivery Body

39.4 The licensee, together with all other Relevant Suppliers, must take such steps and do such things as are within its power:

(a) to establish, by no later than 30 June 2013, a body corporate to carry out the role of consumer engagement in relation to Smart Metering Systems (referred to in this condition as the **Central Delivery Body)**;

(b) to provide that the Central Delivery Body is constituted and governed so as to ensure that it:

(i) has the characteristics set out at Part A1;

(ii) has the objectives set out at Part A2;

(iii) procures the advice of experts as set out at Part A3; and

(iv) fulfils the functions set out at Part A4;

(c) to provide for the costs of the Central Delivery Body to be met as set out at Part A5.

<u>Part A1. Characteristics of the Central Delivery Body</u>

Constitution

39.5 The articles of association of the Central Delivery Body must as a minimum provide that:

(a) it is a not-for-profit body;

(b) its board of directors (the **Board)** is at all times constituted so as to reflect the provisions of paragraph 39.6;

(c) the Secretary of State has a right of veto in respect of the appointment of any person as the Chairman of the Board;

(d) any person nominated by and representing either:

(i) the Secretary of State; or

(ii) all Network Operators,

is entitled to attend, but not vote at, a meeting of the Board;

(e) the Board will exercise independent judgement and reach its decisions in accordance with the requirements of paragraph 39.8;

(f) its business shall be (and shall be limited to):

(i) achieving the objectives set out at Part A2;

(ii) achieving those objectives by taking such steps as are reasonably necessary and appropriate for carrying out the activities set out at Parts A3 and A4.

Composition of the Board

39.6 The Board shall comprise:

(a) a Chairman appointed by the Relevant Suppliers;

(b) six directors nominated by and representing Relevant Suppliers;

(c) two directors nominated by and representing Small Domestic Suppliers;

(d) two directors nominated by and representing Relevant Non-Domestic Suppliers;

(e) two directors nominated by the National Consumer Council; and

(f) two directors representing the interests of Energy Consumers.

39.7 The Chairman of the Board must be independent of any person or body that is represented by a director appointed in accordance with the provisions of paragraphs 39.6(b)-(f).

Decision-Making

39.8 A decision made by the Board must be made in accordance with a voting procedure which provides for:

(a) each director, other than the Chairman, to exercise a single vote on each decision to be taken;

(b) decisions to be made by a simple majority; and

(c) the Chairman to be able to exercise a casting vote but only where the number of votes for and against a decision are equal.

<u>Part A2. Objectives of the Central Delivery Body</u>

Objectives

39.9 The objectives of the Central Delivery Body set out in paragraph 39.10 are to apply:

(a) in respect of Energy Consumers at Domestic Premises; and

(b) where it is cost effective to extend the consumer engagement activities undertaken by the Central Delivery Body so as also to include the engagement of Energy Consumers at Relevant Designated Premises, in respect of such Energy Consumers.

39.10 The objectives of the Central Delivery Body are to:

(a) build consumer confidence in the installation of Smart Metering Systems by gas and electricity suppliers;

(b) build consumer awareness and understanding of the use of Smart Metering Systems (and the information obtained through them);

(c) increase the willingness of Energy Consumers to use Smart Metering Systems to change their behaviour so as to enable them to reduce their consumption of energy; and

(d) assist consumers with low incomes or prepayment meters, or consumers who may encounter additional barriers in being able to realise the benefits of Smart Metering Systems due to their particular circumstances or characteristics, to realise the benefits of Smart Metering Systems while continuing to maintain an adequate level of warmth and to meet their other energy needs.

Part A3. Arrangements for Obtaining Expert Advice

39.11 The Central Delivery Body shall establish arrangements for the purpose of ensuring that it is regularly provided with all appropriate advice that is:

(a) concerned with the means by which it can most efficiently and effectively achieve its objectives; and

(b) procured from such persons, as selected by it, who have widely recognised expertise in matters that are relevant to, and will assist in, the efficient and effective achievement of its objectives.

Part A4. Functions of the Central Delivery Body

39.12 The functions of the Central Delivery Body shall be to:

(a) produce and maintain a plan for achieving its objectives (the **Consumer Engagement Plan**) which meets the requirements of paragraphs 39.13 - 39.16;

(b) implement the Consumer Engagement Plan in accordance with paragraph 39.17;

(c) develop and produce an annual budget for the delivery of the Consumer Engagement Plan which meets the requirements of paragraphs 39.18 and 39.19 (the **Annual Budget**);

(d) produce a report on at least an annual basis (the **Annual Report**) which meets the requirements of paragraphs 39.20 and 39.21; and

(e) publish the Consumer Engagement Plan, the Annual Budget and the Annual Report in accordance with paragraphs 39.22 and 39.23.

The Consumer Engagement Plan

39.13 The Consumer Engagement Plan must be in writing and must:

(a) constitute a plan which is designed to ensure that the Central Delivery Body takes all appropriate steps to achieve its objectives;

(b) describe the activities that the Central Delivery Body proposes to carry out for that purpose;

(c) describe how the Central Delivery Body has taken into account the need to:

(i) co-ordinate its consumer engagement activities with consumer engagement activities undertaken by other parties in relation to Smart Metering Systems;

(ii) undertake a coordinated delivery of consumer engagement activities that reflects and takes into account the need to adopt different activities for the purpose of meeting the consumer engagement requirements of any class or classes of Energy Consumer, including Energy Consumers paying by different payment methods, residing in different geographical areas and in occupation of different types of Domestic Premises; and

(iii) provide additional assistance and consumer engagement activities that may be required by particular categories of Energy Consumers, including in particular Energy Consumers with low incomes or who may encounter additional barriers in being able to access the benefits of Smart Metering Systems due to their particular circumstances or characteristics; and

(d) be designed to ensure that in carrying out its activities the Central Delivery Body does not restrict, distort or prevent competition in the supply of gas or electricity or in any commercial activities connected with Smart Metering Systems.

39.14 The Consumer Engagement Plan must be produced by no later than 31 December 2013.

39.15 The Central Delivery Body must keep the Consumer Engagement Plan under review, and must make appropriate amendments to it from time to time so that it continues to be accurate, up to date, and fit for purpose.

39.16 In producing, and prior to making any subsequent amendment to, the Consumer Engagement Plan, the Central Delivery Body:

(a) must seek the advice of, and have due regard to the advice given by, the persons with whom it has made arrangements in accordance with the provisions of paragraph 39.11; and

(b) may consult with, and have regard to the representations of, any other interested parties.

39.17 The Central Delivery Body must take such steps and do such things as are within its power:

(a) to implement the Consumer Engagement Plan in accordance with its terms (as amended from time to time); and

(b) to do so in an efficient and cost-effective manner that achieves value for money in the performance of its activities.

Annual Budget

39.18 The Central Delivery Body must:

(a) by 31 December 2013, develop and produce the first Annual Budget in respect of the calendar year commencing on 1 January 2014; and

(b) thereafter by 31 December in each subsequent year, develop and produce an Annual Budget in respect of the calendar year which commences immediately following that date.

39.19 Each Annual Budget must comprise a detailed statement of the best estimate of the Central Delivery Body, made in good faith, of all costs that it expects to incur for the purpose of undertaking its activities during the calendar year to which that Annual Budget relates.

Annual Report

39.20 The Central Delivery Body must:

(a) by 31 March 2014, produce the first Annual Report in respect of the calendar year that commenced on 1 January 2013; and

(b) thereafter by 31 March in each subsequent year, produce an Annual Report in respect of the calendar year that commenced on 1 January in the previous year.

39.21 Each Annual Report must in particular:

(a) report on:

(i) the Central Delivery Body's performance; and

(ii) the extent to which, in the opinion of the Board, the steps taken by the Central Delivery Body to implement the Consumer Engagement Plan (as applicable during the period to which the Annual Report relates) have contributed to the achievement of its objectives during the period to which the Annual Report relates; and

(b) set out the expenditure of the Central Delivery Body during that period and report on the extent to which, in the opinion of the Board, such expenditure represents value for money.

Publication

39.22 The Central Delivery Body must ensure that up to date copies of:

(a) the Consumer Engagement Plan;

(b) the Annual Budget; and

(c) the Annual Report,

are at all times made available by it in a form that is readily accessible to most Energy Consumers.

39.23 In complying with paragraph 39.22 the Central Delivery Body:

(a) must exclude from each document, so far as practicable, any information which would or might seriously prejudice the interests of any individual or body to which it relates; and

(b) may exclude from each document any information that would, or would be likely to, prejudice the commercial interests of any person (including the Central Delivery Body itself).

<u>Part A5. Costs of the Central Delivery Body</u>

39.24 The licensee must:

(a) together with all other Relevant Suppliers, take such steps and do such things as are within its power to meet the capital costs of establishing the Central Delivery Body and all costs, excluding Fixed Operating Costs, that are reasonably incurred by the Central Delivery Body in undertaking its activities and operating in an efficient and cost-effective manner that achieves value for money; and

(b) together with all other Relevant Suppliers and Small Domestic Suppliers, take such steps and do such things as are within its power to meet all Fixed Operating Costs that are reasonably incurred by the Central Delivery Body operating in an efficient and cost-effective manner that achieves value for money.

39.25 For the purpose of meeting the requirements of paragraph 39.24, the licensee must, together with all other Relevant Suppliers and Small Domestic Suppliers, establish a mechanism to allocate:

(a) between Relevant Suppliers the costs of the Central Delivery Body, as referred to in paragraph 39.24(a), on the basis of their respective shares of the markets for gas and electricity supply; and

(b) between Relevant Suppliers and Small Domestic Suppliers the costs of the Central Delivery Body as referred to in paragraph 39.24(b), on the basis of their respective shares of the markets for gas and electricity supply to Domestic Premises.

Part A6. Other Duties of Relevant Suppliers

General Duty

39.26 The licensee, together with all other Relevant Suppliers, must take such steps and do such things as are within its power to ensure that:

(a) the Central Delivery Body achieves its objectives; and

(b) in achieving its objectives the Central Delivery Body acts in a manner which is transparent, impartial, cost-effective and represents value for money.

The Performance Management Framework

39.27 The licensee must, together with all other Relevant Suppliers, produce and maintain a performance framework (the **Performance Management Framework**) which meets the requirements of paragraphs 39.28 - 39.30.

39.28 The Performance Management Framework must:

(a) set out the standards, including key performance indicators and targets, which have been determined by the Relevant Suppliers as standards against which the performance of the Central Delivery Body in achieving its objectives will be measured; and

(b) include such provisions as will enable any person, including in particular the Relevant Suppliers, the Secretary of State and the Authority, to assess:

(i) the Central Delivery Body's performance against the specified standards;

(ii) the effectiveness of the steps taken by the Central Delivery Body for the purpose of achieving its objectives; and

(iii) the extent to which the Central Delivery Body has, in accordance with paragraph 39.16, amended the Consumer Engagement Plan to take into account information received in respect of its performance.

39.29 The Performance Management Framework must be produced by no later than 31 December 2013.

39.30 The licensee, together with all other Relevant Suppliers must keep the Performance Management Framework under review, and must make appropriate amendments to it from time to time so that it continues to be accurate, up to date, and fit for purpose.

39.31 In determining the standards to be set out, and the other provisions to be included, in the Performance Management Framework, the licensee, together with all other Relevant Suppliers, must consult with and take into account the views of, and information provided by, relevant interested parties, including in particular the Secretary of State.

Co-operation

39.32 The licensee must:

(a) co-operate with the Central Delivery Body for the purposes of enabling the Central Delivery Body to undertake its activities; and

(b) take all reasonable steps to ensure that in carrying out its consumer engagement activities in relation to, and communicating with Energy Consumers about, Smart Metering Systems it does not act inconsistently with the activities of the Central Delivery Body.

PART B. REQUIREMENTS APPLICABLE TO THE LICENSEE WHERE IT IS A SMALL DOMESTIC SUPPLIER

39.33 The licensee must, together with all Relevant Suppliers and other Small Domestic Suppliers, take such steps and do such things as are within its power:

(a) to meet the Fixed Operating Costs that are reasonably incurred by the Central Delivery Body operating in an efficient and cost-effective manner that achieves value for money; and

(b) establish a mechanism to allocate between Relevant Suppliers and Small Domestic Suppliers the costs referred to in paragraph 39.33(a), on the basis of their respective shares of the markets for gas and electricity supply to Domestic Premises.

39.34 The licensee must:

(a) cooperate with:

(i) Relevant Suppliers for the purposes of ensuring the establishment of the Central Delivery Body in accordance with Part A1 of this condition; and

(ii) the Central Delivery Body for the purposes of enabling the Central Delivery Body to undertake its activities; and

(b) take all reasonable steps to ensure that in carrying out its consumer engagement activities in relation to, and communicating with Energy Consumers about, Smart Metering Systems it does not act inconsistently with the activities of the Central Delivery Body.

PART C. REQUIREMENTS APPLICABLE TO THE LICENSEE WHERE IT IS A RELEVANT NON-DOMESTIC SUPPLIER

39.35 The licensee must:

(a) cooperate with:

(i) Relevant Suppliers for the purposes of ensuring the establishment of the Central Delivery Body in accordance with Part A1 of this condition; and

(ii) the Central Delivery Body for the purposes of enabling the Central Delivery Body to undertake its activities; and

(b) take all reasonable steps to ensure that in carrying out its consumer engagement activities in relation to, and communicating with Energy Consumers about, Smart Metering Systems it does not act inconsistently with the activities of the Central Delivery Body.

PART D. INTERPRETATION AND DEFINITIONS

39.36 In this condition:

Energy Consumer	means a consumer of gas or electricity.
Fixed Operating Costs	means costs relating to (i) renting and maintaining premises, (ii) staff recruitment, salaries, and benefits, and (iii) purchasing and maintaining office equipment, including IT and telephony equipment.

Micro-Business Consumer	has the meaning given to it in standard condition 7A of this licence.
Network Operator	means any person holding: (a) a licence granted under section 6(1)(b) or 6(1)(c) of the Electricity Act 1989; or (b) a licence granted under section 7 of the Gas Act 1996.
Relevant Designated Premises	means: (a) Designated Premises at which the Customer is a Micro-Business Consumer; and (b) such additional categories of premises as may be specified in a direction issued by the Secretary of State.
Relevant Non-Domestic Supplier	means a gas or electricity supplier which is neither a Relevant Supplier nor a Small Domestic Supplier but supplies gas or electricity to any Relevant Designated Premises.
Relevant Supplier	means a gas or electricity supplier which: (a) is authorised by its licence to supply gas or electricity to Domestic Premises; and (b) supplies either gas or electricity (or both) to more than 250,000 Domestic Customers.
Small Domestic Supplier	means a gas or electricity supplier which: (a) is authorised by its licence to supply gas or electricity to Domestic Premises; and (b) supplies gas or electricity to, in each case, no more than 250,000 Domestic Customers.

Annex 4: Draft Consumer Engagement Licence Conditions – Electricity supply licence

Condition 45. Smart Metering Consumer Engagement

Introduction

45.1 This condition provides for holders of electricity and gas supply licences to be required to establish, support and monitor the work of a body which will carry out the role of consumer engagement in relation to Smart Metering Systems.

Application

45.2 This condition shall:

(a) apply to the licensee only if it is a Relevant Supplier, a Small Domestic Supplier or a Relevant Non-Domestic Supplier; and

(b) cease to apply from such date as is specified in a direction issued by the Secretary of State.

45.3 Where this condition applies and:

(a) the licensee is a Relevant Supplier, it is not required to comply with Parts B and C;

(b) the licensee is a Small Domestic Supplier, it is not required to comply with Parts A and C;

(c) the licensee is a Relevant Non-Domestic Supplier, it is not required to comply with Parts A and B.

PART A. REQUIREMENTS APPLICABLE TO THE LICENSEE WHERE IT IS A RELEVANT SUPPLIER

Duty to establish the Central Delivery Body

45.4 The licensee, together with all other Relevant Suppliers, must take such steps and do such things as are within its power:

(a) to establish, by no later than 30 June 2013, a body corporate to carry out the role of consumer engagement in relation to Smart Metering Systems (referred to in this condition as the **Central Delivery Body)**;

(b) to provide that the Central Delivery Body is constituted and governed so as to ensure that it:

(i) has the characteristics set out at Part A1;

(ii) has the objectives set out at Part A2;

(iii) procures the advice of experts as set out at Part A3; and

(iv) fulfils the functions set out at Part A4;

(c) to provide for the costs of the Central Delivery Body to be met as set out at Part A5.

<u>Part A1. Characteristics of the Central Delivery Body</u>

Constitution

45.5 The articles of association of the Central Delivery Body must as a minimum provide that:

(a) it is a not-for-profit body;

(b) its board of directors (the **Board)** is at all times constituted so as to reflect the provisions of paragraph 45.6;

(c) the Secretary of State has a right of veto in respect of the appointment of any person as the Chairman of the Board;

(d) any person nominated by and representing either:

(i) the Secretary of State; or

(ii) all Network Operators,

is entitled to attend, but not vote at, a meeting of the Board;

(e) the Board will exercise independent judgement and reach its decisions in accordance with the requirements of paragraph 45.8;

(f) its business shall be (and shall be limited to):

(i) achieving the objectives set out at Part A2;

(ii) achieving those objectives by taking such steps as are reasonably necessary and appropriate for carrying out the activities set out at Parts A3 and A4.

Composition of the Board

45.6 The Board shall comprise:

(a) a Chairman appointed by the Relevant Suppliers;

(b) six directors nominated by and representing Relevant Suppliers;

(c) two directors nominated by and representing Small Domestic Suppliers;

(d) two directors nominated by and representing Relevant Non-Domestic Suppliers;

(e) two directors nominated by the National Consumer Council; and

(f) two directors representing the interests of Energy Consumers.

45.7 The Chairman of the Board must be independent of any person or body that is represented by a director appointed in accordance with the provisions of paragraphs 45.6(b)-(f).

Decision-Making

45.8 A decision made by the Board must be made in accordance with a voting procedure which provides for:

(a) each director, other than the Chairman, to exercise a single vote on each decision to be taken;

(b) decisions to be made by a simple majority; and

(c) the Chairman to be able to exercise a casting vote but only where the number of votes for and against a decision are equal.

Part A2. Objectives of the Central Delivery Body

Objectives

45.9 The objectives of the Central Delivery Body set out in paragraph 45.10 are to apply:

(a) in respect of Energy Consumers at Domestic Premises; and

(b) where it is cost effective to extend the consumer engagement activities undertaken by the Central Delivery Body so as also to include the engagement of Energy Consumers at Relevant Designated Premises, in respect of such Energy Consumers.

45.10 The objectives of the Central Delivery Body are to:

(a) build consumer confidence in the installation of Smart Metering Systems by gas and electricity suppliers;

(b) build consumer awareness and understanding of the use of Smart Metering Systems (and the information obtained through them);

(c) increase the willingness of Energy Consumers to use Smart Metering Systems to change their behaviour so as to enable them to reduce their consumption of energy; and

(d) assist consumers with low incomes or prepayment meters, or consumers who may encounter additional barriers in being able to realise the benefits of Smart Metering Systems due to their particular circumstances or characteristics, to realise the benefits of Smart Metering Systems while continuing to maintain an adequate level of warmth and to meet their other energy needs.

Part A3. Arrangements for Obtaining Expert Advice

45.11 The Central Delivery Body shall establish arrangements for the purpose of ensuring that it is regularly provided with all appropriate advice that is:

(a) concerned with the means by which it can most efficiently and effectively achieve its objectives; and

(b) procured from such persons, as selected by it, who have widely recognised expertise in matters that are relevant to, and will assist in, the efficient and effective achievement of its objectives.

Part A4. Functions of the Central Delivery Body

45.12 The functions of the Central Delivery Body shall be to:

(a) produce and maintain a plan for achieving its objectives (the **Consumer Engagement Plan**) which meets the requirements of paragraphs 45.13 - 45.16;

(b) implement the Consumer Engagement Plan in accordance with paragraph 45.17;

(c) develop and produce an annual budget for the delivery of the Consumer Engagement Plan which meets the requirements of paragraphs 45.18 and 45.19 (the **Annual Budget**);

(d) produce a report on at least an annual basis (the **Annual Report**) which meets the requirements of paragraphs 45.20 and 45.21; and

(e) publish the Consumer Engagement Plan, the Annual Budget and the Annual Report in accordance with paragraphs 45.22 and 45.23.

The Consumer Engagement Plan

45.13 The Consumer Engagement Plan must be in writing and must:

(a) constitute a plan which is designed to ensure that the Central Delivery Body takes all appropriate steps to achieve its objectives;

(b) describe the activities that the Central Delivery Body proposes to carry out for that purpose;

(c) describe how the Central Delivery Body has taken into account the need to:

(i) co-ordinate its consumer engagement activities with consumer engagement activities undertaken by other parties in relation to Smart Metering Systems;

(ii) undertake a coordinated delivery of consumer engagement activities that reflects and takes into account the need to adopt different activities for the purpose of meeting the consumer engagement requirements of any class or classes of Energy Consumer, including Energy Consumers paying by different payment methods, residing in different geographical areas and in occupation of different types of Domestic Premises; and

(iii) provide additional assistance and consumer engagement activities that may be required by particular categories of Energy Consumers, including in particular Energy Consumers with low incomes or who may encounter additional barriers in being able to access the benefits of Smart Metering Systems due to their particular circumstances or characteristics; and

(d) be designed to ensure that in carrying out its activities the Central Delivery Body does not restrict, distort or prevent competition in the supply of gas or electricity or in any commercial activities connected with Smart Metering Systems.

45.14 The Consumer Engagement Plan must be produced by no later than 31 December 2013.

45.15 The Central Delivery Body must keep the Consumer Engagement Plan under review, and must make appropriate amendments to it from time to time so that it continues to be accurate, up to date, and fit for purpose.

45.16 In producing, and prior to making any subsequent amendment to, the Consumer Engagement Plan, the Central Delivery Body:

(a) must seek the advice of, and have due regard to the advice given by, the persons with whom it has made arrangements in accordance with the provisions of paragraph 45.11; and

(b) may consult with, and have regard to the representations of, any other interested parties.

45.17 The Central Delivery Body must take such steps and do such things as are within its power:

(a) to implement the Consumer Engagement Plan in accordance with its terms (as amended from time to time); and

(b) to do so in an efficient and cost-effective manner that achieves value for money in the performance of its activities.

Annual Budget

45.18 The Central Delivery Body must:

(a) by 31 December 2013, develop and produce the first Annual Budget in respect of the calendar year commencing on 1 January 2014; and

(b) thereafter by 31 December in each subsequent year, develop and produce an Annual Budget in respect of the calendar year which commences immediately following that date.

45.19 Each Annual Budget must comprise a detailed statement of the best estimate of the Central Delivery Body, made in good faith, of all costs that it expects to incur for the purpose of undertaking its activities during the calendar year to which that Annual Budget relates.

Annual Report

45.20 The Central Delivery Body must:

(a) by 31 March 2014, produce the first Annual Report in respect of the calendar year that commenced on 1 January 2013; and

(b) thereafter by 31 March in each subsequent year, produce an Annual Report in respect of the calendar year that commenced on 1 January in the previous year.

45.21 Each Annual Report must in particular:

(a) report on:

(i) the Central Delivery Body's performance; and

(ii) the extent to which, in the opinion of the Board, the steps taken by the Central Delivery Body to implement the Consumer Engagement Plan (as applicable during the period to which the Annual Report relates) have contributed to the achievement of its objectives during the period to which the Annual Report relates; and

(b) set out the expenditure of the Central Delivery Body during that period and report on the extent to which, in the opinion of the Board, such expenditure represents value for money.

Publication

45.22 The Central Delivery Body must ensure that up to date copies of:

(a) the Consumer Engagement Plan;

(b) the Annual Budget; and

(c) the Annual Report,

are at all times made available by it in a form that is readily accessible to most Energy Consumers.

45.23 In complying with paragraph 45.22 the Central Delivery Body:

(a) must exclude from each document, so far as practicable, any information which would or might seriously prejudice the interests of any individual or body to which it relates; and

(b) may exclude from each document any information that would, or would be likely to, prejudice the commercial interests of any person (including the Central Delivery Body itself).

Part A5. Costs of the Central Delivery Body

45.24 The licensee must:

(a) together with all other Relevant Suppliers, take such steps and do such things as are within its power to meet the capital costs of establishing the Central Delivery Body and all costs, excluding Fixed Operating Costs, that are reasonably incurred by the Central Delivery Body in undertaking its activities and operating in an efficient and cost-effective manner that achieves value for money; and

(b) together with all other Relevant Suppliers and Small Domestic Suppliers, take such steps and do such things as are within its power to meet all Fixed Operating Costs that are reasonably incurred by the Central Delivery Body operating in an efficient and cost-effective manner that achieves value for money.

45.25 For the purpose of meeting the requirements of paragraph 45.24, the licensee must, together with all other Relevant Suppliers and Small Domestic Suppliers, establish a mechanism to allocate:

(a) between Relevant Suppliers the costs of the Central Delivery Body, as referred to in paragraph 45.24(a), on the basis of their respective shares of the markets for gas and electricity supply; and

(b) between Relevant Suppliers and Small Domestic Suppliers the costs of the Central Delivery Body as referred to in paragraph 45.24(b), on the basis of their respective shares of the markets for gas and electricity supply to Domestic Premises.

<u>Part A6. Other Duties of Relevant Suppliers</u>

General Duty

45.26 The licensee, together with all other Relevant Suppliers, must take such steps and do such things as are within its power to ensure that:

(a) the Central Delivery Body achieves its objectives; and

(b) in achieving its objectives the Central Delivery Body acts in a manner which is transparent, impartial, cost-effective and represents value for money.

The Performance Management Framework

45.27 The licensee must, together with all other Relevant Suppliers, produce and maintain a performance framework (the **Performance Management Framework**) which meets the requirements of paragraphs 45.28 - 45.30.

45.28 The Performance Management Framework must:

(a) set out the standards, including key performance indicators and targets, which have been determined by the Relevant Suppliers as standards against which the performance of the Central Delivery Body in achieving its objectives will be measured; and

(b) include such provisions as will enable any person, including in particular the Relevant Suppliers, the Secretary of State and the Authority, to assess:

(i) the Central Delivery Body’s performance against the specified standards;

(ii) the effectiveness of the steps taken by the Central Delivery Body for the purpose of achieving its objectives; and

(iii) the extent to which the Central Delivery Body has, in accordance with paragraph 45.16, amended the Consumer Engagement Plan to take into account information received in respect of its performance.

45.29 The Performance Management Framework must be produced by no later than 31 December 2013.

45.30 The licensee, together with all other Relevant Suppliers must keep the Performance Management Framework under review, and must make appropriate amendments to it from time to time so that it continues to be accurate, up to date, and fit for purpose.

45.31 In determining the standards to be set out, and the other provisions to be included, in the Performance Management Framework, the licensee, together with all other Relevant Suppliers, must consult with and take into account the views of, and information provided by, relevant interested parties, including in particular the Secretary of State.

Co-operation

45.32 The licensee must:

(a) co-operate with the Central Delivery Body for the purposes of enabling the Central Delivery Body to undertake its activities; and

(b) take all reasonable steps to ensure that in carrying out its consumer engagement activities in relation to, and communicating with Energy Consumers about, Smart Metering Systems it does not act inconsistently with the activities of the Central Delivery Body.

PART B. REQUIREMENTS APPLICABLE TO THE LICENSEE WHERE IT IS A SMALL DOMESTIC SUPPLIER

45.33 The licensee must, together with all Relevant Suppliers and other Small Domestic Suppliers, take such steps and do such things as are within its power:

(a) to meet the Fixed Operating Costs that are reasonably incurred by the Central Delivery Body operating in an efficient and cost-effective manner that achieves value for money; and

(b) establish a mechanism to allocate between Relevant Suppliers and Small Domestic Suppliers the costs referred to in paragraph 45.33(a), on the basis of their respective shares of the markets for gas and electricity supply to Domestic Premises.

45.34 The licensee must:

(a) cooperate with:

(i) Relevant Suppliers for the purposes of ensuring the establishment of the Central Delivery Body in accordance with Part A1 of this condition; and

(ii) the Central Delivery Body for the purposes of enabling the Central Delivery Body to undertake its activities; and

(b) take all reasonable steps to ensure that in carrying out its consumer engagement activities in relation to, and communicating with Energy Consumers about, Smart Metering Systems it does not act inconsistently with the activities of the Central Delivery Body.

PART C. REQUIREMENTS APPLICABLE TO THE LICENSEE WHERE IT IS A RELEVANT NON-DOMESTIC SUPPLIER

45.35 The licensee must:

(a) cooperate with:

(i) Relevant Suppliers for the purposes of ensuring the establishment of the Central Delivery Body in accordance with Part A1 of this condition; and

(ii) the Central Delivery Body for the purposes of enabling the Central Delivery Body to undertake its activities; and

(b) take all reasonable steps to ensure that in carrying out its consumer engagement activities in relation to, and communicating with Energy Consumers about, Smart Metering Systems it does not act inconsistently with the activities of the Central Delivery Body.

PART D: INTERPRETATION AND DEFINITIONS

45.36 In this condition:

Energy Consumer	means a consumer of gas or electricity.
Fixed Operating Costs	means costs relating to (i) renting and maintaining premises, (ii) staff recruitment, salaries, and benefits, and (iii) purchasing and maintaining office equipment, including IT and telephony equipment.

Micro-Business Consumer	has the meaning given to it in standard condition 7A of this licence.
Network Operator	means any person holding: (c) a licence granted under section 6(1)(b) or 6(1)(c) of the Electricity Act 1989; or (d) a licence granted under section 7 of the Gas Act 1996.
Relevant Designated Premises	means: (c) Designated Premises at which the Customer is a Micro-Business Consumer; and (d) such additional categories of premises as may be specified in a direction issued by the Secretary of State.
Relevant Non-Domestic Supplier	means a gas or electricity supplier which is neither a Relevant Supplier nor a Small Domestic Supplier but supplies gas or electricity to any Relevant Designated Premises.
Relevant Supplier	means a gas or electricity supplier which: (c) is authorised by its licence to supply gas or electricity to Domestic Premises; and (d) supplies either gas or electricity (or both) to more than 250,000 Domestic Customers.
Small Domestic Supplier	means a gas or electricity supplier which: (c) is authorised by its licence to supply gas or electricity to Domestic Premises; and (d) supplies gas or electricity to, in each case, no more than 250,000 Domestic Customers.

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