



Department for  
Business, Energy  
& Industrial Strategy

# SMART METERING IMPLEMENTATION PROGRAMME

Government response on proposals to  
improve non-domestic consumers'  
awareness of smart metering



**OGL**

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# General Information

## Purpose of this document

This document sets out the Government's response to the Consultation on proposals to improve non-domestic consumers' smart metering awareness and data access. The consultation was published on 24 January 2019.

**Issued: 9 May 2019**

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**Consultation reference:** Smart Metering Implementation Programme: Consultation on proposals to improve non-domestic consumers' smart metering awareness and data access

### Territorial extent:

This government response applies to the gas and electricity markets in Great Britain. Responsibility for energy markets in Northern Ireland lies with the Northern Ireland Executive's Department for the Economy.

## Quality assurance

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: [beis.bru@beis.gov.uk](mailto:beis.bru@beis.gov.uk).

## Introduction

The development of a world-leading smart energy system delivering secure, cheap and clean energy is an important part of the Government's Industrial Strategy<sup>1</sup>. As our Clean Growth Strategy highlights, smart technologies and services will play a vital role in decarbonising the energy sector<sup>2</sup>.

The Government is committed to ensuring that smart meters are offered to every home and small business by the end of 2020. Smart meters are the next generation of gas and electricity meters and will deliver a much-needed digital transformation of our energy system. They offer a range of intelligent functions and provide consumers with more accurate information, bringing an end to estimated billing. They give consumers near real-time information on their energy consumption to help them control and manage their energy use, save money and reduce emissions.

The non-domestic smart meter rollout covers around three million meters in two million premises<sup>3</sup>, the majority of which are small and medium enterprises (SMEs<sup>4</sup>) and microbusinesses<sup>5</sup>. Research shows that although SMEs and microbusinesses are interested in saving money, they are likely to see energy as a background (albeit essential) part of running their business. Energy is not something they devote much time to when looking to make cost savings, unless their energy consumption is sufficiently high that it forms a significant part of their outgoings<sup>6</sup>. The Department for Business, Energy and Industrial Strategy's (BEIS) cost benefit analysis of the smart metering rollout indicates that by 2030, non-domestic consumers could achieve approximately £1.4billion in energy savings. Our aim is therefore to promote the benefits of smart meters amongst businesses covered by the mandate, and develop the framework that will enable better engagement, equipping businesses with the information that will enable them to unlock these energy savings.

The Government considers that to maximise the benefits of smart metering for non-domestic consumers, businesses need to be aware of their own eligibility for smart metering, be aware how to acquire a smart meter, and be aware of the potential of smart metering data for achieving energy savings. Greater awareness of the potential of smart meter data could also help promote innovation and encourage new products, services and markets.

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<sup>1</sup> <https://www.gov.uk/government/topical-events/the-uks-industrial-strategy>

<sup>2</sup> <https://www.gov.uk/government/publications/clean-growth-strategy>

<sup>3</sup> Some premises have multiple meters.

<sup>4</sup> Government statistics define a small business as one with 0-49 employees, and a medium-sized business as one with 50-249 employees.

<sup>5</sup> Based on BEIS analysis of meter types and business population statistics. Energy suppliers can choose between two microbusiness definitions in the energy supply licence conditions; one which uses the same definition as that used by the Redress Scheme (which is made up of a number of eligible criteria, including an energy threshold criteria, as set out in article 2(1) of The Gas and Electricity Regulated Providers (Redress Scheme) Order 2008 (S.I. 2008/2268)); and the other which solely uses an energy threshold definition of usage less than 100,000kWh electricity or 293,000kWh gas per year.

<sup>6</sup> Citizens Advice 'Smart Choices' research report, 2017: <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/smart-choices-investigating-micro-businesses-interest-in-and-understanding-of-smart-meters1/>

In January 2019 BEIS consulted on policy changes focused on the smaller end of the non-domestic market.

The first (Part A of the document, questions A1-A5) was a proposal aimed at tackling the low awareness of smart metering amongst microbusinesses, in order to encourage take-up of smart meters and resulting energy savings. The consultation set out the Government's view that because there has been only very limited engagement to date with this sector, it is now appropriate to strengthen regulation. The document proposed introducing specific duties on the organisation responsible for the national campaign about smart metering (Smart Energy GB) to engage with microbusinesses (as opposed to larger non-domestic consumers). A range of supporting proposals (including a proposed funding process) was also included, and these are explained in the relevant sections below.

The second part of the document (Part B, questions B1-B4) concerned the way non-domestic consumption data is made available to consumers. This call for evidence asked for views on whether changes to the way energy suppliers are required to provide consumption data to consumers could encourage better energy management. The evidence submitted in responses is now being considered by BEIS in combination with evidence from other stakeholders and sources. That analysis will continue during 2019, so this topic will not be covered further in this document. The last question in this section (question B4) sought views on making changes to licence conditions to bring the microbusiness data access regulations into line with those for domestic customers and larger businesses. At present, if a microbusiness has opted out of allowing the supplier data access, energy suppliers cannot access that consumption data at all, which is an anomaly in the licence drafting. The change would allow suppliers access to this data in strictly specified circumstances: to deal with billing matters, consumer complaints or enquiries, prepayment issues, or cases of potential theft. Energy suppliers would still be obligated to meet the data protection regime that came into force in May 2018.

The Government's response is set out below. The conclusion, following analysis of the responses, is that the Government will proceed with the licence changes that will amend Smart Energy GB's remit in relation to microbusinesses, subject to some changes on the supporting proposals, which are explained below. The Government will also proceed with the licence changes on supplier access to microbusinesses' data. The licence changes are intended to be laid before Parliament on 14 May 2019.

## Consultation responses

The consultation closed on 21 February 2019, and we received 31 written responses from the following organisations. For the purposes of basic analysis these have been grouped into the following broad categories, but each response has been considered independently.

Organisation	Category
Centrica / British Gas	Large Energy Suppliers
EDF	
EON	
Npower	
Scottish Power	
SSE	
Bryt Energy	Small Energy Suppliers
Crown Gas	
Electricity North West	
Haven Power and Opus Energy	
AND Technology Research Limited	Communications and Technology Companies
Chameleon Technology	
The Considerate Group	
Element Energy	
Hildebrand	
Hoare Lea	
The Association for Decentralised Energy	
Utilities Intermediaries Association	Consumer Groups
Association of Convenience Stores	
Citizens Advice	
The Federation of Small Businesses	

Organisation	Category
UK Hospitality	
Electrical Contractors Association	Meter Asset Providers (MAPs), Meter Operators (MOPs) and Meter Asset Managers (MAMs), including data collectors and aggregators
Energy and Utilities Alliance	
Energy Assets	
IMSERV	
Siemens	
Stark	
Energy UK	Supplier Trade Associations ( <i>in the next chapter these groups' views have been summarised with those of the suppliers they represent</i> ).
ICoSS	
Smart Energy GB	Smart Meters Central Delivery Body

# Summary of responses

## Question A1

The consultation set out two options for dealing with the low level of awareness amongst microbusinesses: do nothing and rely on the suppliers' own engagement plans to inform consumers, or introduce a new requirement on the smart metering consumer engagement body (Smart Energy GB) to specifically target microbusinesses. The consultation question was as follows:

*What do you think should be done about the low levels of microbusiness awareness of smart metering?*

- 1. Nothing – no need for additional action over and above current plans.*
- 2. Introduce new obligations for Smart Energy GB to target microbusinesses (BEIS' preferred option).*
- 3. Another solution – please give details*

Of the 28 respondents who answered this question, fourteen supported the proposal to extend Smart Energy GB's remit to non-domestic customers. Five said that no action was needed, and nine preferred a different solution. Comments made by those who preferred a different solution are summarised below with the comments on the nature of the campaign.

There was a marked difference in response between categories of respondents. None of the large energy suppliers supported the idea of Smart Energy GB doing a non-domestic campaign. Views amongst the small energy suppliers were more evenly split between support for extending Smart Energy GB's remit, and for another solution, but all the respondents in this category suggested some form of action. MAPs, MOPs, MAMs and data collectors were evenly split between the three options. All of the consumer groups which responded supported the proposal to change Smart Energy GB's remit, as did all the communications and technology companies.

The key points made by the large suppliers against the proposal were:

- Suppliers' own campaigns have not yet been given the chance to prove their success or otherwise. It was suggested that suppliers are all at different stages in their own non-domestic rollouts, therefore choosing a time for a nationwide campaign would be difficult.
- Concern that Smart Energy GB is not the right body to carry out a non-domestic campaign. This was based on the perception that Smart Energy GB's key field of expertise is in large-scale campaigns (like television advertising), which would not be suitable for the diverse non-domestic customer base.
- A suggestion that low awareness alone is not the reason for slow take-up amongst microbusinesses, and that more significant factors were low interest in energy (compared to other business costs) and the fact that most SMEs operate from rented premises. One supplier therefore suggested that awareness raising alone would not have much impact. Some suggested that there was insufficient evidence to demonstrate

that a campaign will lead to higher awareness and that this will translate into higher smart meter acceptance rates. In addition, some noted that non-domestic customers do not have the same attitudes towards energy and metering as domestic customers, and may be more willing to accept new meters, as this is a process they are more used to.

- Concern over value for money. In a context where the NAO had recently flagged that the overall costs of the Programme are rising, two energy suppliers queried whether introducing new costs was appropriate. Most large suppliers wanted to see thorough value for money assessments in advance of any campaign taking place.

The key points made by those who supported the proposal were that:

- The focus has been on domestic customers for too long, and it is the right time to introduce a non-domestic campaign, especially given the aim to install a further 2 million non-domestic smart meters by the end of 2020.
- It is important to take a long term view of the economic and social benefits that such engagement would bring, not focus on immediate cost-effectiveness (which this respondent felt has held Smart Energy GB back from any activity to date).
- One small energy supplier said its own research shows that it is not the case that people who are aware of smart meters for their homes also understand that they are available for their businesses. A targeted campaign would help address this.
- Smart Energy GB has the experience and resources to carry out such a campaign.
- More positive messages are needed to combat press coverage about smart metering.

Respondents also made extensive comments on the nature of any campaign:

- The idea of television advertising was not supported – respondents felt that it would be difficult to target such advertising when non-domestic consumers are so diverse, making the high cost un-economic.
- There was strong support across all respondent groups for working through existing networks such as trade associations, as it was felt that using their existing communication channels would be both effective and cost effective, and these are bodies that small businesses trust. Two respondents also suggested that third party intermediaries had an important role to play as they have existing relationships with many small businesses, and could inform their customers using materials developed by Smart Energy GB. One respondent suggested that success stories / case studies were a good way to engage businesses.
- Both supplier and non-supplier respondents pointed out that any campaign needed to avoid confusing consumers on the difference (or lack of difference) between smart and advanced meters. As such, a number of respondents suggested that the focus of any campaign should be on the benefits of data access, rather than the specific meter technology.
- In general, there was limited support for focusing the messaging purely on energy saving benefits, and some respondents discussed the importance of highlighting how real-time data could benefit small businesses. Some suggested the benefits of future energy system changes (like time of use tariffs) should be highlighted, and that businesses need far more information on the opportunities (and risks) that a future smart system could bring. Others suggested the focus needed to be on the basic

practicalities of the installation, like the fact that the power should not need to be off for a long time.

- One respondent suggested that Smart Energy GB's campaign should segment consumers even within the microbusiness population: they pointed out that an energy-intensive microbusiness might be primarily motivated by marginal cost savings, while less engaged businesses might be motivated by knowing that their lives may be made simpler.
- Smart Energy GB took a different view to many others, suggesting that a campaign should centre on broader messages about smart meters. They noted that they would be unable to use one of the messages used in the domestic campaign about smart meters being available at no extra cost because unlike domestic consumers, non-domestic consumers may be charged upfront for their metering.

## Question A2

BEIS proposed to limit any new engagement work to microbusinesses, on the basis that these consumers are least likely to have dedicated energy management strategies, and Smart Energy GB's research indicates that awareness of smart meters in this group is very low. The question asked was:

*Do you agree that targeting microbusinesses (as opposed to a wider range of non-domestic consumers) is the appropriate approach?*

Of the 27 responses to this question, eighteen supported the proposal, of which five did so with caveats. A majority of both large and small energy suppliers supported this (though noting the concerns outlined under Question 1). Communications companies (for example those developing energy management tools) were mostly against the proposal, with one supporting a microbusiness-only focus (albeit with annual reviews) and four preferring a wider remit.

Both those who agreed and disagreed with the proposal pointed out that it would be difficult to accurately isolate and target the microbusiness population. Some flagged this because they felt it would therefore make it complex to clearly communicate the difference in the smart meter offer for microbusinesses (that they will be offered smart meters as a matter of course, while all other non-domestic consumers are to be offered a choice between smart and advanced meters).

Amongst those who supported the proposal, the main point made was that microbusinesses are less well engaged in the energy market and thus in greater need of information. By extension, there was a strong steer that a campaign did not need to target larger, better engaged consumers.

Amongst those that disagreed:

- One respondent suggested that suppliers are obliged to reach out to their microbusiness customers, so a broader campaign to all businesses could complement this activity.
- There were a number of responses from companies involved in developing new energy management tools. A majority of these favoured a wider scope, though for different reasons:

- To ensure that bodies like schools were included.
- Because companies like restaurants operate at a range of scales and premises from very small to large, and they would stand to gain from better messaging across their portfolios.
- Because they did not think that energy management expertise correlates to business size.
- A small energy supplier suggested that a better scope would be to work through membership organisations such as the Federation of Small Businesses, the Association of Convenience Stores and the British Chambers of Commerce, and use these groups' members as the target audience.
- Smart Energy GB suggested that the remit should be all non-domestic consumers, as it would be hard for them to separate out microbusiness consumers.

## Question A3

The consultation proposed that new licence conditions should require Smart Energy GB to collaborate with BEIS on any new non-domestic work. The aim was to ensure that work by the two organisations was coordinated, and to make the most of BEIS' existing evidence base. The question asked was:

*Do you agree with the proposal to introduce licence conditions on collaborative working between Smart Energy GB and BEIS?*

There were 25 responses to this question, with twelve respondents agreeing that the proposed licence condition should be included, and thirteen disagreeing. Large energy suppliers were all against the proposal. Small energy suppliers were evenly split, as were MAP/MOP/MAM respondents. Two of the consumer groups who answered this question agreed with the proposal and one disagreed. All the communications and technology companies who responded agreed with the proposal.

The key points made in support of the proposal were:

- That it would allow information to be disseminated quickly and clearly.
- That it would prevent multiple research on similar themes saving time and money.
- That it was a sensible approach to ensure the work of one organisation informs the other and would bring a better co-ordination in the message and strategy of the Programme.

Energy suppliers made the following points against the proposal:

- One explained it was for the licensed suppliers and Smart Energy GB to determine how Licence Conditions are delivered. They added it would be counterintuitive for BEIS and Smart Energy GB not to work collaboratively.
- Three stated the proposed Licence Condition wording was disproportionate, and made too broad a provision by requiring Smart Energy GB's engagement plan to make provision for 'any government policy as may be set out in writing by the Secretary of

State'. They considered that the rationale for this requirement has not been given, and they, plus another small supplier, saw no reason why non-domestic engagement should be treated differently to domestic engagement.

- One recognised the good work that BEIS has been doing with sectors, but preferred this to reinforce supplier communications, rather than Smart Energy GB communications.

Smart Energy GB noted that collaboration activity between BEIS and SEGB had already taken place, without any need for regulation. They were concerned that the introduction of any such licence condition would add complexity to their governance arrangements, hampering their ability to act flexibly and swiftly in the delivery of the campaign. Smart Energy GB committed to share and consider insights and seek BEIS' contributions to any campaign.

Non-supplier respondents made similar points against the proposal, noting that collaboration should take place regardless of whether this was written into the licence.

## Question A4

BEIS suggested that to reflect Smart Energy GB's more significant focus on non-domestic consumers, it might be appropriate for one of the non-domestic Board members to come from a purely non-domestic supplier (i.e. one without any domestic customers). The consultation asked:

*Do you think that one of the non-domestic representatives on Smart Energy GB's Board should be a non-domestic-only supplier?*

Of the 22 respondents that answered this question, eleven agreed or agreed with caveats that Smart Energy GB's board should include a non-domestic-only supplier, seven disagreed and four were neutral. None of the small energy suppliers disagreed (i.e. they agreed or were neutral). Responses from the large energy suppliers were split, though none agreed outright. Responses from other groups were evenly split.

The key point made by those who supported the proposal was that non-domestic-only suppliers have a better understanding of the specific needs of the market. One respondent felt that suppliers with both domestic and non-domestic customers may prioritise their domestic interests, as it is the larger part of the mandate. A non-domestic-only supplier would not have this conflict to deal with.

The key points made by those against the proposal were:

- A number of respondents were concerned about the practicality of the proposal, noting that Board places have not always been easy to fill. Restricting the suppliers eligible to sit in these seats could exacerbate that problem.
- Having a representative who works in and understands the non-domestic rollout is important, but there is no need for this to be from a company with no domestic meters.

## Question A5.i

BEIS proposed a funding formula for the new non-domestic work which was closely aligned to the way Smart Energy GB's domestic costs are recovered. The preferred option (option 1) was

that the capital costs (primarily campaign costs) should be split amongst large non-domestic suppliers, and the operating costs (staff or office costs) should be split amongst all non-domestic suppliers. Both would be weighted by market share. The calculation would be carried out based on information provided to Smart Energy GB by the DCC (as is the case for its domestic cost recovery). The other proposed options were (option 2) to combine capital and operating costs and collect the combined total only from 'large' non-domestic suppliers or (option 3) to combine capital and operating costs and simply include all 58 suppliers with smart-mandated non-domestic market share in the funding allocation. The resulting question was:

*Do you agree with BEIS's proposal on how to allocate Smart Energy GB's non-domestic costs, and the proposed allocation (Option 1, paragraph 41)? If not, which option would you prefer and why?*

Of the 18 respondents that answered this question, seven agreed with BEIS's preferred option on how to allocate Smart Energy GB's non-domestic costs. This included all the consumer groups who answered the question. There was no consensus support for any of the alternative options: two respondents felt that option 2 would be the most suitable funding mechanism, whilst three respondents felt that option 3 would be the most suitable funding mechanism. Three disagreed with all the options, and three proposed alternatives to the options presented by BEIS.

Of the large energy suppliers who provided a response to this question, none supported BEIS's preferred funding option. They were concerned that it would mean that the burden would fall on those who already fund the bulk of the domestic campaign. Three felt that option 3 would be better.

Small energy supplier respondents also opposed Option 1. Comments (echoed by some large suppliers and other bodies too) noted that the proposed options did not take into account the number of advanced and smart meters already installed by suppliers, and it was suggested that this progress should be reflected in the funding mechanism.

Those respondents that supported the proposal said it seemed to be the most practical and fair option, and noted the consistency with the domestic funding arrangement. One respondent suggested that this formulation avoided overburdening small suppliers with high costs.

Smart Energy GB commented that it was important for it to have access to the data required to calculate market shares and thus allocate costs.

## Question A5.ii

To facilitate the proposed funding formula, BEIS proposed to define a 'large non-domestic supplier' as this definition does not currently exist in the licence. The definition would only be used to work out which suppliers would be allocated a share of the capital costs of Smart Energy GB's work. The consultation question was as follows:

*As a supplementary question, do you agree with BEIS's proposal on defining a 'large' non-domestic supplier as one with more than 100,000 gas or electricity meters? If not, what definition would you prefer and why?*

There was limited support for the proposed definition, with only five of the 17 responses being positive, but no consensus on an alternative. All sectors raised queries or concerns about the proposal, including:

- The most common concern was that the make-up of the non-domestic market (with a large number of suppliers having portfolios of tens of thousands of meters) merited a lower threshold. Four respondents suggested 50,000 meters (combined gas and electricity) as an alternative.
- Five respondents felt that the use of a 'gas or electricity' threshold meant that some quite large suppliers could be unfairly excluded, if their separate gas and electricity portfolios did not quite reach 100,000. These respondents argued for a combined portfolio figure instead.
- Some of the large energy suppliers queried whether the threshold would be calculated using meters, or metering points (MPANs and MPRNs).
- One suggested that there should be no threshold and no market share weighting because of the variability of volumes of energy in the non-domestic market.
- One suggested a cut-off of the top 30% of the market, by overall market share.
- One suggested that the threshold should be based on the number of microbusiness customers, to better represent those suppliers who will be installing the most SMETS meters (as opposed to advanced meters). This respondent said suppliers hold this data for complaints handling and other purposes, and could provide it to Smart Energy GB.

## Question B4

This section of the consultation sought views on making amendments to licence conditions that would align the exceptions available to suppliers to access microbusiness energy consumption data at a level more granular than monthly with those for the domestic sector. The aim is to enable suppliers to meet licence requirements under condition 12.1 (electricity) and 12A (gas) on matters relating to theft, and 21B (electricity and gas) on matters relating to billing and consumer enquiries relating to the supply of energy to the premises. These would apply where the microbusiness has opted out of granting the supplier access to their consumption data. The change brings the arrangements into line with those for domestic customers and for larger non-microbusiness customers.

This proposal is being developed whilst having regard to the fact that energy suppliers are required to comply with obligations under the Data Protection Act 2018 and EU General Data Protection Regulation (GDPR), where consumption data may be personal data<sup>7</sup>. BEIS recognises that the proposed change lessens the control microbusinesses would have over their daily energy consumption data in specific circumstances, and the importance of recognising that microbusiness consumption data can be personal data. The consultation set out BEIS' view that this is proportionate because the change goes no further than the access

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<sup>7</sup> Privacy concerns may be as acute for microbusinesses as for domestic consumers, especially if the premise itself may be a shared living/working space. Information that relates to a business and its activities can be personal data under the new data protection regime, if it can be related to or identifies an individual, and this is more often the case where the business is a sole trader or a smaller enterprise. For this reason, the Data Access and Privacy Framework focuses on microbusiness consumers.

provided for domestic consumers – i.e. by respecting the fact that suppliers do not need more granular access than daily. The change is also in line with BEIS' previous conclusions in the Data Access and Privacy Framework and subsequent review.

The consultation asked:

*Do you agree with the proposal to amend licence conditions to allow energy suppliers to access daily consumption data in circumstances where the supplier suspects theft, and for accurate billing purposes, including addressing consumer queries?*

There were 23 responses to this question. Twenty two agreed with the proposal. Only a small number made any comments, and all of these were to support the principle of aligning the domestic and non-domestic regulations. One consumer group disagreed with the proposal, saying that the current arrangements were sufficient.

## Government response

The Government's response on the consultation issues is set out below.

### Extending Smart Energy GB's remit to non-domestic consumers

As set out in the consultation proposals, BEIS considers that to maximise the chances of achieving the projected energy saving benefits, non-domestic consumers need to understand that smart meters are for them, and understand how they work.

Our research suggests that businesses need to understand how smart metering and smart meter data is relevant to their particular contexts<sup>8</sup>. If we didn't extend activity to this space, it's not clear that messages from the domestic sector would 'trickle through' and stimulate enough understanding of relevance (and therefore demand) to deliver the benefits of the programme. We need tailored messaging so that businesses understand what the smart transformation means for them and how they can act. This is supported by the comments from consumer engagement bodies who responded to the consultation.

The Government recognises that most energy suppliers are planning their own engagement campaigns, and we accept that these will play an important role in engagement with each supplier's own customers. But the scale and timing of these campaigns will vary, and the decisions on level of resource allocated will be subject to internal commercial decisions. Based on information from the latest large supplier plans, the targeting for some will be (legitimately) focused on securing installations in an efficient manner, and the information on the potential benefits of the meters will be secondary. While basic awareness and a successful installation process are vital to the rollout, high awareness and an understanding of the role of smart meters in better energy management are important to benefits realisation. Evidence so far suggests that brokers and trade associations would provide influential channels to create this deeper understanding, and engaging with them centrally would be more efficient. A licence requirement to address microbusiness awareness will ensure that this important group of consumers is given due attention (subject to value for money considerations, and the setting of realistic targets), and it will help maximise their chances of achieving energy savings from smart meters. It would also allow a way to respond to events in a coordinated manner as the non-domestic rollout proceeds. For example (as is the case for domestic) Smart Energy GB could provide a central resource to respond on the suppliers' behalf to enquiries from the public.

Therefore it remains our view that there is a role for a central body to play, and as such BEIS is proposing to **proceed with the supply licence changes to amend Smart Energy GB's remit**.

This includes the intention to **target microbusinesses only**, on the basis that these dominate the sites which fall under the mandate (c.70%), and they are unlikely to have an energy manager, are more likely to be time and/or resource poor, and are likely to have less energy

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<sup>8</sup> Non-domestic Early Learning Project: <https://www.gov.uk/government/publications/smart-metering-in-non-domestic-premises-early-research-findings>

expertise. These factors were all backed up by respondents – particularly consumer groups and business-consumer trade associations, but also large and small suppliers. In addition the messaging (as pointed out by many respondents) is simpler than it would be under a broader mandate, because these consumers must be offered a SMETS meter, rather than a choice between smart or advanced meters. We acknowledge that this excludes one of BEIS's target sectors<sup>9</sup> (schools), but it is our conclusion that it is right to retain as focused a remit as possible especially as suppliers are already working to identify microbusiness consumers for other licence condition requirements, such as the consumer choice policy. In addition, BEIS's ongoing sector engagement work is showing that schools have a very particular range of actors, behaviours and procurement arrangements. As such, it may make sense for BEIS to prioritise this sector, given its existing links to local authorities, the Department for Education and others, and avoid complicating Smart Energy GB's task by making it target a mix of public and private sector consumers.

### Developing non-domestic plans

If the regulations come into force in Summer 2019<sup>10</sup>, then during the second half of 2019, the licence conditions will require Smart Energy GB to develop a non-domestic consumer engagement plan<sup>11</sup>, to be approved by the Smart Energy GB Board, and incorporate the costs of its new non-domestic work into the 2020 Budget, also to be approved by the Board and put to an AGM vote. Before work begins in 2020, suppliers, via the Performance Management Forum, will establish a non-domestic Performance Management Framework to assess delivery of the Consumer Engagement Plan.

BEIS recognises that many carefully considered concerns were raised in relation to what a non-domestic campaign might look like, and expects the following concerns to be addressed as the plans and the framework are agreed:

- *The need to take a targeted and specific approach.* Many respondents felt that businesses look for detailed information that is relevant to their sector or situation, or addresses their specific concerns, and they do not respond to broad-brush messages. This points towards a sector-specific approach to engagement, and reinforces the need to find messages that resonate with a microbusiness audience within a specific sector.
- *Reaching non-domestic consumers (and identifying which ones are microbusinesses) is not straightforward.* But there are trusted intermediaries who are engaged with smart metering and energy policy in general and have a track record of engaging businesses, and who could potentially be part of a communications strategy. The membership of these bodies could even help narrow the audience to a predominantly microbusiness one. As an illustration, BEIS's work with its target sectors has been engaging with specific trade associations to reach a particular audience even within a broader sector (such as pubs, or fish and chip shops, within the hospitality sector) and use the association's understanding of its members to tailor messages.

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<sup>9</sup> BEIS is working to engage three target non-domestic sectors directly: schools, hospitality and retail.

<sup>10</sup> Subject to Parliamentary procedure. BEIS intends to lay the regulations in May 2019.

<sup>11</sup> According to the proposed licence conditions, an 'amended version of the Consumer Engagement Plan'. Electricity Supply Licence Condition 45.15.b and Gas Supply Licence Condition 39.15.b.

- *It is difficult to say with certainty what messaging focus will be successful.* Evidence emerging from BEIS's NDSEMIC competition<sup>12</sup> suggests that energy saving is just one of the potential benefits from smart meters, and other non-monetary benefits (such as how can smart meter data can make your business more operationally efficient, or boost your reputation for being green) work well with some audiences. Many stakeholders have suggested that Smart Energy GB should employ appropriate B2B communications specialists with particular microbusiness expertise, whether direct or as sub-contractors, to help shape and deliver the proposals. The proposals should also take account of input from energy suppliers and relevant consumer groups.
- *Costs are a core concern for energy suppliers,* and their responses demonstrated that there is no appetite amongst suppliers at this stage in the rollout to begin a large scale campaign. They want the messaging and targeting to be carefully defined, to avoid a blanket above the line campaign, with higher costs. The large suppliers (most of whom are represented on Smart Energy GB's Board and will approve the 2020 budget) felt that the £5 million estimate quoted in the consultation document was much higher than they could support, and the non-domestic rollout did not need this level of support, or the style of campaign that such a figure implies. We expect that Smart Energy GB and its governance bodies will take these views into account in the context of the scale of the performance measures/metrics and resulting budget which they agree for the non-domestic work. This may call for a different approach to the work, for example a 'test and learn' method to engagement, both in terms of content and medium, trialling something then evaluating before proceeding further, in order to demonstrate value for money, as required by the licence conditions.
- Related to this is the issue of *how to set appropriate performance standards,* a concern raised strongly in Smart Energy GB's own response. While the licence conditions will refer to building microbusiness confidence, awareness and understanding, and encouraging them to change their behaviour post-installation, the metrics and targets used to measure Smart Energy GB's performance are a matter for Smart Energy GB's Performance Management Forum to design. The diversity of the non-domestic sector may call for a new approach to performance management, perhaps with the focus on assessing success in engaging partner organisations, or on supporting suppliers as they publicise their non-domestic rollout.
- *Timing is important.* The suppliers' roll-outs are not necessarily all taking place at the same time, meaning the number of eligible customers at any one time may be quite small. Again, this suggests the need for a targeted approach as part of an overall campaign – for example the development of non-supplier-specific information about the benefits of getting a smart meter and the installation process that suppliers (or other bodies) could use. For example, one supplier has mentioned to BEIS that brokers are a key channel of communication with small businesses, but they can be reluctant to pass on multiple different forms of literature from multiple suppliers to their customers. A similar point has been made by one of the MOPs about the challenges of dealing with multiple suppliers' energy efficiency advice materials<sup>13</sup>, which they are required to

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<sup>12</sup> BEIS is sponsoring a number of companies to develop innovative approaches to non-domestic energy management: <https://www.gov.uk/government/publications/non-domestic-smart-energy-management-innovation-competition>

<sup>13</sup> Under Electricity Supply Licence Condition 42 and Gas Supply Licence Condition 36 energy suppliers are required to provide (among other things) energy efficiency advice during the smart meter installation, in accordance with the Smart Metering Installation Code of Practice. This applies to installations for microbusinesses but not larger consumers.

deliver during the installation. One centrally produced set of documents/messages that represented any/all suppliers could be a way to allow brokers and meter installers to more easily pass on messages about the benefits of getting a smart meter. The use of mediums that exist at a point in time (such as radio advertising or trade press articles) could work as well, but would need to be carefully considered based on the forecast eligibility of different groups of consumers at that time, and an understanding of whether that kind of messaging works for certain groups of non-domestic consumers (i.e. identifying which sectors are more or less likely to be listening to commercial radio during working hours).

## Introducing a collaboration requirement between Smart Energy GB and BEIS

There was very little support for this proposal amongst those most closely involved in the governance of Smart Energy GB, namely Smart Energy GB themselves and the large energy suppliers. As such, this proposal will not be taken forward. However BEIS welcomes the commitment from Smart Energy GB (and others) that this collaboration will happen without formal licence requirements. BEIS and Smart Energy GB have a shared interest in monitoring and evaluating the effectiveness of activities to raise awareness amongst microbusinesses. BEIS views this as a key area for sharing and collaboration in the future.

A number of respondents raised more general points about how the new non-domestic remit should be reflected in Smart Energy GB's governance. Ultimately this is a matter for the Board and Performance Management Forum to agree, but BEIS would encourage these bodies to work collectively, and consider the experience of energy suppliers and others that has been gained from the smart rollout to date, and the advanced meter rollout before it. In any case Government would expect any approach to be based on advice from experts<sup>14</sup> and that the consumer engagement plan will take account of the activities of other parties and the differing needs of different types of consumer<sup>15</sup>.

## Requiring a non-domestic-only supplier member to sit on the Smart Energy GB Board

There was support in principle for this idea, and Government plans to proceed with the proposal. BEIS notes the concerns of some respondents that this seat could be difficult to fill. However, both the current non-domestic Board members come from non-domestic-only suppliers, and BEIS considers that there is value in formalising their role, to ensure that the particular needs of this group of suppliers is represented.

## Funding the new non-domestic campaign

BEIS recognises the needs, stated by respondents, to identify a funding formula which is fair, practical, and respects the sizes of energy suppliers' non-domestic portfolios. Consistency with

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<sup>14</sup> Electricity Supply Licence Condition 45.11.b and Gas Supply Licence Condition 39.11.b

<sup>15</sup> Amended Electricity Supply Licence Condition 45.13.c and Gas Supply Licence Condition 39.13.c.ii.

the domestic formula is also an important consideration. Balancing all these factors, it is Government's view that option 1 (splitting the capital costs<sup>16</sup> amongst large non-domestic suppliers, weighted by market share of the total non-domestic market, and the operating costs<sup>17</sup> amongst all non-domestic suppliers, weighted by market share of the total non-domestic market) remains the most appropriate option.

To clarify the mechanism, in response to specific concerns:

- The definition of a 'large non-domestic supplier' will be amended to use a metric based on a supplier's total non-domestic meter numbers, not their individual gas or electricity meter numbers.
- The threshold for a 'large non-domestic supplier' will be reduced, by changing the definition to 100,000 gas and electricity metering points, as opposed to 100,000 meters in one or other fuel.
- The definition will refer to metering points (MPRNs and MPANs) rather than meters, to address comments from energy suppliers that sometimes multiple meters are attached to one metering point.

Under this amended mechanism:

- Eight 'large non-domestic suppliers' would be responsible for funding Smart Energy GB's capital costs<sup>18</sup>. The operating costs would be spread amongst all non-domestic suppliers, large and small.
- We have not adjusted the funding mechanism to reflect the number of advanced or SMETS meters already installed by an energy supplier. All the 'large non-domestic suppliers' included in the proposed definition have a substantial number of traditional meters to replace with SMETS2 meters, and most activity to date has been focused on advanced meter installation<sup>19</sup>. They therefore stand to benefit from increased awareness of smart meters amongst microbusiness customers, in addition to benefiting from the wider consumer and media engagement activities of Smart Energy GB.

BEIS has held discussions with DCC to confirm that the data upon which these calculations will be based is available to Smart Energy GB, and that the DCC will provide the necessary information.

## Supplier access to microbusiness data

There was strong support for this change (22 of 23 responses), as the intention is to address an anomaly in the licence. On that basis, BEIS intends to proceed with the change.

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<sup>16</sup> Campaign costs.

<sup>17</sup> Staff and office costs, for example.

<sup>18</sup> Based on end-2018 figures. Just as for domestic, Smart Energy GB will collect an annual snapshot of market share data in order to calculate its budget split. The number/identity of the suppliers included in the cost allocation may change year on year.

<sup>19</sup> The proportion of smart (SMETS) meters being installed is rising each quarter compared to advanced meters, but overall the number of smart/advanced meters being operated in non-domestic sites subject to the mandate is still mostly advanced meters. See <https://www.gov.uk/government/statistics/statistical-release-and-data-smart-meters-great-britain-quarter-4-2018>

## Conclusion

The Government's aim is to lay the licence changes before Parliament in May 2019. Subject to the Parliamentary process, BEIS aims to bring the licence changes into force in summer 2019. In accordance with the licence conditions, Smart Energy GB would then be required to develop a non-domestic Consumer Engagement Plan and Performance Management Framework within three months of the changes coming into force (autumn 2019). It is BEIS's expectation that this new Smart Energy GB engagement will complement BEIS's own continuing programme of work with the non-domestic sector. To that end BEIS will continue to work closely with Smart Energy GB, energy suppliers, consumer bodies and others throughout 2019 and 2020.

## Summary of legal text

The final draft legal text is summarised below, and attached in full at Annex A (published separately). Every effort has been made to ensure that the explanatory text in this document reflects the legal drafting. We have also sought to ensure that the explanatory text provides a clear and simplified overview of the proposals, however the legal drafting should be considered to be definitive in the event that there is an inconsistency between it and the explanatory text.

BEIS intends to lay the draft legal text before Parliament in May 2019 in line with the procedure under section 89 of the Energy Act 2008.

<b>Electricity supply standard licence condition reference</b>	<b>Gas supply standard licence condition reference</b>	<b>Summary</b>
45.2-3	39.2-3	Establishes that the conditions that follow apply differently to different types of energy supplier.
45.4	39.4	Adds a new reference to the Parts of the licence which cover the funding of Smart Energy GB's non-domestic activities.
45.6	39.6	Introduces a new requirement for one of the non-domestic suppliers on Smart Energy GB's Board to be a non-domestic-only supplier.
45.9	39.9	Adds microbusiness consumers into Smart Energy GB's objectives, with the exception of the duty to assist consumers with lower incomes, prepayment meters or additional barriers.
45.13	39.13	Sets out that the consumer engagement plan should differentiate between domestic and non-domestic consumers, and non-domestic consumers from different sectors.
45.15	39.15	Requires Smart Energy GB to produce an amended consumer engagement plan covering its activities to engage with microbusinesses.
45.24	39.24	Amends the domestic funding arrangements to ensure that only domestic energy suppliers are responsible for the funding of Smart Energy GB's domestic activities.
45.27-31	39.27-31	Amends the conditions related to the existing Performance Management Framework so it applies only

		to domestic customers.
45.33	39.33	Amends the condition relating to duties for small domestic suppliers so that they only pay for Smart Energy GB's domestic fixed operating costs.
45.35-36	39.35-36	Sets out that large non-domestic suppliers must fund Smart Energy GB's non-domestic capital and fixed operating costs.
45.37-41	39.37-41	Sets out the requirements for the new non-domestic Performance Management Framework.
45.42	39.42	Requires large non-domestic energy suppliers to cooperate with Smart Energy GB.
45.43-44	39.43-44	Sets out that small non-domestic energy suppliers must fund Smart Energy GB's non-domestic fixed operating costs.
45.45	39.45	Requires small non-domestic energy suppliers to cooperate with Smart Energy GB.
45.46	39.46	New or amended definitions for the newly introduced or amended conditions.
47.17B and 47.18(d)	41.17B and 41.18(d)	Sets out the circumstances under which energy suppliers can access microbusiness consumption data even where that customer has opted out of data access.
51.3 and 51.12	45.2 and 45.8	Clarifies the application of Parts B and C on data access to microbusiness premises, in addition to designated premises.
51.16	45.12	Defines microbusiness consumer and microbusiness premises.

## Annex A: Legal text

Attached separately.

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This publication is available from: [www.gov.uk/government/consultations/smart-metering-implementation-programme-realising-non-domestic-benefits](http://www.gov.uk/government/consultations/smart-metering-implementation-programme-realising-non-domestic-benefits)

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