



Department for
Business, Energy
& Industrial Strategy

Smart Metering Implementation Programme

Consultation on future coordinated consumer
engagement

Closing date: 13 August 2020



OGL

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Contents

General Information	4
Executive Summary	6
Introduction	8
Section One: Objectives	14
Section Two: Governance	28
Section Three: Funding Mechanism	39
Section Four: Transition and Legal Text	42
Next Steps	44
Summary of Consultation Questions	45
Annexes	47

General Information

Why we are consulting

The Government's decision to introduce an obligation on energy suppliers to continue the rollout of smart meters beyond 2020 also confirmed that Smart Energy GB should continue as the body responsible for leading coordinated consumer engagement activities.¹

We are now consulting on a number of proposals to update Smart Energy GB's objectives, strengthen its governance framework and revise its funding model, to focus on supporting the next phase of the rollout. The proposals aim to further strengthen consumer engagement approaches to support the achievement of market-wide rollout and ensure that consumers are able to realise the full benefits of this vital infrastructure upgrade.

Consultation details

Issued: 18 June 2020

Respond by: 13 August 2020, 16:00

Enquiries to: Smart Metering Implementation Programme

Email: smartmetering@beis.gov.uk

Consultation reference: Smart Metering Implementation Programme: Consultation on future coordinated consumer engagement

Territorial extent: This consultation 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.

¹ [Government response to the consultation on a Smart Meter Policy Framework post-2020, June 2020.](#)

How to respond

Responses should be emailed to smartmetering@beis.gov.uk.

Please do not send responses by post to the department during the coronavirus (COVID-19) pandemic, as we will not be able to access them.

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](#). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

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.

Executive Summary

Introduction

Smart meters are replacing traditional energy meters across Great Britain as part of an essential infrastructure upgrade that will make our energy system cheaper, cleaner and more reliable. They are modernising the energy infrastructure by ending manual meter reads, delivering accurate bills and enabling prepayment customers to track and top-up credit from home. Smart meters enable consumers to save money by using energy away from peak times or when there is renewable generation available. The cost of delivering net zero emissions by 2050, without this flexibility, would be higher by an estimated £16 billion annually.²

In order to power us towards net zero, and complete the smart meter rollout as soon as practicable, the Government has confirmed³ that a four-year policy framework with annual milestones will be implemented following a six-month extension⁴ of the existing 'all reasonable steps' obligation.

To achieve this, consumers must continue to be at the heart of Great Britain's rollout. The Government therefore remains committed to ensuring that an effective strategy for consumer engagement is in place, which supports uptake of smart meters and enables consumers to realise the full range of benefits.

The programme of national engagement to raise awareness of smart meters, drive behaviour change and help consumers benefit from smart metering has so far been led by the not-for-profit organisation, Smart Energy GB. As a result of its successful campaigning, awareness and understanding of smart meters has risen steadily over time, with 95% of people across Great Britain now aware of smart meters.⁵ In addition, the majority of consumers are satisfied with their smart meters and many are advocates of the technology, with nearly two thirds of smart meter owners indicating they would recommend getting one.⁶

Policy background

With the Government's decision to introduce an obligation on energy suppliers to continue the rollout of smart meters beyond 2020, there remains a need for continued coordinated consumer engagement activities. A coordinated approach has optimised marketing costs for energy suppliers and helped to avoid duplication of messaging by multiple parties. In light of this, the Government has confirmed that Smart Energy GB should continue as the body responsible for leading the engagement activities necessary to achieve market-wide rollout, subject to the organisation evolving to focus on the next phase of the rollout.

² [Committee on Climate Change, Net Zero Technical Report, May 2019.](#)

³ [Government response to the consultation on a Smart Meter Policy Framework post-2020, June 2020.](#)

⁴ Due to the unprecedented circumstances resulting from the coronavirus (COVID-19) pandemic.

⁵ [Smart Energy GB, Smart Energy Outlook, March 2020.](#)

⁶ [Smart Energy GB, Smart Energy Outlook, March 2020.](#)

The nature of the consumer engagement task needs to change to support the rollout of smart meters under the new Framework. As such, the Department is consulting on amendments to the energy supply licence conditions relating to Smart Metering Consumer Engagement.⁷

Consultation proposal

We are seeking views on proposed amendments to Smart Energy GB's objectives and broader activities, together with their governance and funding arrangements, as set out in energy supply licences. Our proposals have been developed to support the evolution of the organisation to enable it to support consumers and energy suppliers in the next phase of the smart meter rollout.

Our proposed amendments to Smart Energy GB's objectives will support a clearer focus on driving uptake and overcoming barriers to acceptance in light of very high levels of domestic consumer awareness of smart metering. In addition, as the rollout progresses, Smart Energy GB will need to increasingly focus on engaging vulnerable and less engaged consumers as well as supporting all consumers in using their smart meters to manage their energy use more effectively and efficiently.

We consider that Smart Energy GB is uniquely placed to support increased coordination between energy suppliers in areas where there are opportunities for efficiencies and increased smart meter uptake. We therefore propose introducing a new objective for Smart Energy GB to establish appropriate arrangements to enable a greater focus on collaboration across industry.

We also reflect on the organisation's governance arrangements. We propose rebalancing Smart Energy GB's Board, reducing its overall size and restructuring its membership to ensure an appropriate balance between Directors representing the interests of energy suppliers and those representing consumers. To further empower Smart Energy GB's Board, we also propose requiring it to be responsible for establishing and maintaining the Performance Management Framework (including both domestic and non-domestic standards).

To ensure a proportionate funding model is in place, in line with wider retail energy market developments, we propose lowering the threshold for large energy suppliers to fund Smart Energy GB's domestic campaign activities from 250,000 to 150,000 gas or electricity (or both) domestic consumers.

To enable sufficient time for implementation, we propose setting 31 December 2021 as the date at which the transition to the new arrangements will need to be completed and ask for comments on the draft legal text in Annexes One and Two.

⁷ Electricity Standard Supply Licence Condition 45 and Gas Standard Supply Licence Condition 39.

Introduction

Delivering a smart system

1. Smart meters are replacing traditional gas and electricity meters across Great Britain as part of an essential national infrastructure upgrade that is making our energy system more efficient and flexible, helping to deliver net zero emissions cost effectively by 2050.
2. As the building blocks of a more resilient energy system, smart meters are unlocking new approaches to managing demand. Innovative products, such as smart tariffs, allow consumers to save money by using energy away from peak times and enable new technologies to be integrated with renewable energy sources. As an example, electric vehicles and smart appliances can connect to the smart metering system to access pricing data, so activity can be programmed to automatically take advantage of cheaper rates. This flexibility will be critical to the future of our energy system, reducing the need for costly reinforcement of networks and investment in spare peak generation capacity. Without it, modelling for the Committee on Climate Change estimates the costs of delivering net zero emissions by 2050 could be up to £16 billion higher each year.⁸
3. Smart meters are therefore a critical tool, modernising our energy system and helping it work better for consumers. The 2019 Smart Meter Cost-Benefit Analysis (CBA) shows that the Programme will deliver significant benefits for Great Britain, with a total Net Present Value (NPV) of £6 billion over the appraisal period.⁹
4. The rollout of smart meters is not only an investment in our future, it will support the delivery of energy-saving benefits for households and small businesses across the nation. Millions of households are already benefitting from smart meters, putting them in charge of their energy use and bringing an end to manual meter reads and estimated bills. With accurate information on their In-Home Displays (IHDs), consumers can more easily understand how they can make changes to the way they use energy in order to use less and save money on their bills. This information can also help them choose a better tariff or inform their decision about switching their energy supplier, increasing their savings even further.
5. The coronavirus (COVID-19) pandemic has clearly demonstrated the consumer benefits of smart metering. Prepayment customers with smart meters have been able to track and top-up credit without leaving home and energy suppliers can see when customers have gone off supply, enabling them to offer timely support. Customers with smart meters can see their energy use and what it is costing, helping them to use less and save money at a time when many are struggling with their bills. To support consumers through these times, Smart Energy GB¹⁰ and National Energy Action¹¹ have developed a package of advice on how households can manage their energy consumption.¹²

⁸ [Committee on Climate Change, Net Zero Technical Report, May 2019.](#)

⁹ [Smart Meter Rollout Cost-Benefit Analysis 2019.](#)

¹⁰ The not-for-profit company responsible for the national public engagement campaign for the rollout of smart meters in Great Britain. Smart Energy GB (Smart Metering Communications Body Limited) is a company registered in England and Wales under company number 8455995.

¹¹ [NEA is the national fuel poverty charity](#), working to ensure everyone in England, Wales and Northern Ireland can live in a warm home.

¹² [Smart Energy GB, Resource Centre, Materials.](#)

6. With 21.5 million smart and advanced meters in homes and small businesses, millions of consumers across Great Britain are now benefiting from this technology.¹³ Research suggests that consumers are having a good experience, with 9 in 10 saying they were satisfied with their smart meter installation and 88% of smart prepayment customers saying that topping up has become easier.¹⁴ Looking forward, every future installation will not only help consumers save money but deliver a net economic benefit to the country.
7. The existing obligation for energy suppliers to take ‘all reasonable steps’ to install smart meters in homes and small businesses expires on 31 December 2020. To support our journey to net zero and to drive the ambition to complete the smart meter rollout as soon as practicable, the Government has confirmed¹⁵ that a four-year policy framework with annual milestones will be implemented, following a six month extension¹⁶ to the existing ‘all reasonable steps’ obligation.

Background to Smart Energy GB

8. Smart Energy GB was established in June 2013 as the not-for-profit company responsible for the national public engagement campaign for the rollout of smart meters in Great Britain.¹⁷
9. Whilst energy suppliers have the primary consumer engagement role, Smart Energy GB runs a programme of coordinated engagement to support their activity. Large energy suppliers are responsible for ensuring that Smart Energy GB meets its objectives, which are outlined in energy supply licences.¹⁸
10. Smart Energy GB’s objectives apply to both domestic and microbusiness¹⁹ consumers (unless otherwise stated) and 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) in respect of Energy Consumers at Domestic Energy Premises only, assist those 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

¹³ [Smart meters in Great Britain, quarterly update March 2020](#).

¹⁴ [BEIS, Smart Meter Customer Experience Study 2017, November 2018](#).

¹⁵ [Government response to the consultation on a Smart Meter Policy Framework post-2020, June 2020](#).

¹⁶ Due to the unprecedented circumstances resulting from the coronavirus (COVID-19) pandemic.

¹⁷ [Smart Energy GB’s website](#).

¹⁸ Electricity Standard Supply Licence Condition 45 and Gas Standard Supply Licence Condition 39.

¹⁹ In May 2019, [following consultation](#), objectives a, b and c were extended to microbusinesses.

benefits of Smart Metering Systems while continuing to maintain an adequate level of warmth and to meet their other energy needs.

11. In order for Smart Energy GB to meet its objectives, large domestic and non-domestic energy suppliers are required to set a domestic and non-domestic Performance Management Framework (PMF) and keep these under review.²⁰ In doing so, consideration is given to the level of demand required to support the installations planned for the year ahead and other tasks Smart Energy GB should perform to fulfil its obligations. As such, the focus of the consumer engagement campaign has evolved with the rollout, ensuring that consumers receive appropriate messages at the right time.
12. In late 2014, 35%²¹ of adults in Great Britain were aware of smart meters, and only 18%²² of adults had a detailed understanding of what a smart meter is. Smart Energy GB's initial activities therefore focussed on building awareness and understanding, both of smart meters and the rollout. By May 2017, understanding had reached 55%²³ and, as of November 2019, 95%²⁴ of the population aged 21 or over²⁵ said they are aware of smart meters. Whilst awareness and understanding of smart metering is high among domestic consumers, Smart Energy GB data suggests that only 56% of microbusiness consumers²⁶ are aware that smart meters are available for businesses.²⁷ Smart Energy GB's remit was extended to microbusinesses in May 2019 and the organisation has plans to address these lower levels of microbusiness awareness through their future campaign activities.
13. As energy suppliers scaled up their rollouts and awareness levels increased, Smart Energy GB's activities evolved to encourage consumers to actively request smart meters and accept the offer of an installation from their energy supplier. In November 2019, 35% of people who do not currently have a smart meter said they would seek or accept one in the next six months.²⁸ Once adjusted for the increasing number of smart meter owners, monitoring shows that Smart Energy GB has helped to generate and maintain demand for installations throughout the rollout so far, with the total proportion of owners, seekers and accepters consistently recorded at around 60% over recent years.²⁹ Whilst this indicates a high level of demand for smart meters, there remains a key role for energy suppliers and Smart Energy GB to continue building positive attitudes towards smart meters through their engagement activities and operational performance to achieve a market wide rollout.³⁰
14. Smart Energy GB has typically used large-scale, multi-channel campaigns, complemented by public relations (PR) activity to achieve high levels of awareness and encourage smart meter uptake. In addition, Smart Energy GB has been a prominent

²⁰ Each PMF sets out the standards, including key performance indicators and targets, against which Smart Energy GB's performance can be measured.

²¹ [Smart Energy GB, Annual report and accounts for year ended 31 December 2017.](#)

²² [Smart Energy GB, Smart Energy Outlook, March 2015.](#)

²³ [Smart Energy GB, Smart Energy Outlook, August 2017.](#)

²⁴ [Smart Energy GB, Smart Energy Outlook, March 2020.](#)

²⁵ Prior to August 2017, Smart Energy Outlook reports featured a representative sample of the adult population of Great Britain aged 18+. People aged 18-20 are less likely to be responsible for managing energy bills in comparison to the rest of the British population. A sample of the adult population aged 21+ is now used.

²⁶ Business supply microbusinesses (i.e. not home supply microbusinesses).

²⁷ Smart Energy GB, Microbusiness Survey, November 2019 (Unpublished).

²⁸ Smart Energy GB, [Smart Energy Outlook, March 2020.](#)

²⁹ Analysis of [BEIS Official Statistics](#) and [Smart Energy GB, Smart Energy Outlook, March 2020.](#)

³⁰ Smart Energy GB are also monitoring the impact of the coronavirus (COVID-19) pandemic on consumer attitudes towards smart meters.

voice in the media, and its press office has played an important role in handling increased volumes of coverage across broadcast, print and online media.

Policy context

15. The Smart Meter Policy Framework Post-2020 consultation outlined that there remains a need for a programme of centrally coordinated consumer engagement activity beyond 2020.³¹ This activity is needed to encourage and support consumers to accept smart meters in both domestic and non-domestic premises, whilst also assisting consumers to use smart meters to better manage their energy consumption.
16. Through the post-2020 consultation, the Government sought evidence on the type of consumer engagement activities necessary to incentivise smart meter uptake and maximise effective management of energy use in the next phase of the rollout. We received 60 responses to the consultation, from a variety of stakeholders ranging from energy suppliers and trade associations to businesses in the supply chain, consumer groups and individuals with an interest in energy and consumer policy.
17. In the response to the post-2020 consultation, the Government confirmed that Smart Energy GB should continue as the body responsible for leading coordinated consumer engagement activities, subject to consulting on amendments to update its objectives, strengthen its governance framework, and revise its funding model.³² This document sets out the details of our proposed amendments.

Consultation proposals

18. The Government is committed to ensuring an effective strategy for consumer engagement is in place to help enable domestic and non-domestic consumers to realise the benefits of smart metering. It is expected that coordinated consumer engagement activities will be necessary to achieve market-wide rollout and ensure that consumers are fully supported, particularly those who may be in vulnerable circumstances or have particular barriers to engagement.
19. As we approach the next phase of the rollout, we consider that there is a need for Smart Energy GB to adapt existing consumer engagement activities and develop new strategies. In particular, we expect to see:
 - a shift away from awareness raising activities for domestic consumers to those that build and maintain consumer acceptance and demand for smart metering;
 - a growing focus on supporting consumers to realise the benefits of smart metering, including using smart meter data to manage their energy use more effectively and make informed choices about tariffs and other energy services;
 - increasing engagement with vulnerable and harder to reach consumers; and

³¹ [Consultation on a Smart Meter Policy Framework post-2020, September 2019.](#)

³² [Government response to the consultation on a Smart Meter Policy Framework post-2020, June 2020.](#)

- an active role facilitating collaboration between energy suppliers to complete the market-wide rollout of smart meters.
20. **Section One of this document concerns Smart Energy GB's objectives.** As outlined in the Government response to the post-2020 consultation, Smart Energy GB's campaign activities will need to evolve consistently in line with the next phase of the rollout to support consumers and energy suppliers. We therefore propose amending Smart Energy GB's objectives, as set out in energy supply licences, in light of the introduction of a new policy Framework³³ to ensure that they remain relevant for the next phase of the rollout. In addition, responses to the post-2020 consultation indicated that Smart Energy GB should facilitate activities where increased collaboration across industry can drive smart meter uptake. Delivering this will require Smart Energy GB to support joint initiatives and lead coordinated activity across industry. To enable Smart Energy GB to take on this role, we propose introducing a new objective for it to establish appropriate arrangements to enable active collaboration across industry.
21. **Section Two relates to the overarching governance structure of Smart Energy GB.** To ensure that the organisation can draw on relevant expertise and operate effectively to meet its updated objectives, we propose amending Smart Energy GB's governance arrangements. The suggested changes would rebalance Smart Energy GB's Board, reducing its overall size and restructuring its membership. To enable the Board to more effectively set the strategic direction for coordinated activities, we propose requiring it to be responsible for the development and maintenance of the Performance Management Framework (PMF).
22. **Section Three outlines our proposals in relation to Smart Energy GB's funding mechanism.** We propose lowering the threshold for relevant energy suppliers to fund Smart Energy GB's domestic campaign activities from 250,000 to 150,000 gas or electricity (or both) domestic consumers, bringing this in line with wider industry developments.
23. **Section Four details our proposed approach to implementing these proposals.** Whilst we expect Smart Energy GB to transition to this new model as soon as possible if adopted, we propose setting 31 December 2021 as the date at which the transition to the new arrangements must be complete.
24. In this document:
- 'the Government' refers to the UK Government;
 - 'we' refers to the UK Government;
 - 'the Department' refers to the Department for Business, Energy and Industrial Strategy (BEIS) which has published this consultation on behalf of the UK Government;
 - 'the Programme' refers to the Smart Metering Implementation Programme, which will include the Department's Smart Meter Team and the wider group of partners and stakeholders responsible for delivering the rollout;

³³ 'the new Framework' refers to the Smart Meter obligation which will be implemented following the expiration of the 'all reasonable steps' obligation.

Consultation on coordinated consumer engagement

- 'the new Framework' refers to the Smart Meter obligation which will be implemented following the expiration of the 'all reasonable steps' obligation;³⁴
- 'the post-2020 consultation' refers to the consultation on a smart meter policy framework post-2020.³⁵

³⁴ Electricity Supply Licence Condition 39 and Gas Supply Licence Condition 33.

³⁵ [Consultation on a Smart Meter Policy Framework post-2020, September 2019.](#)

Section One: Objectives

Introduction

25. Smart Energy GB's objectives are set out in energy supply licence conditions, providing the high-level framework within which specific consumer engagement activities are designed and implemented. They are drafted in a way that focusses on outcomes, which allows Smart Energy GB the flexibility to determine the most effective engagement methods to meet these objectives. Smart Energy GB's campaign has therefore evolved as the rollout has progressed, drawing on evaluation of early activity to refine engagement approaches.
26. Smart Energy GB's objectives 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) in respect of Energy Consumers at Domestic Energy Premises only, assist those 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.
27. As we move towards the next phase of the smart meter rollout, Smart Energy GB will need to adapt its existing consumer engagement activities and develop new approaches to support energy supplier activity and consumers. In light of this, it is appropriate to review the current objectives to ensure that they remain fit for purpose for supporting the delivery of a market-wide rollout.
28. As part of the post-2020 consultation, we sought views on priority areas for future coordinated consumer engagement activities. Drawing on responses to that consultation, we have identified the following areas where we consider that Smart Energy GB should increasingly focus its activities:
 - **Tailored awareness raising:** Smart Energy GB's national campaign has contributed significantly to high levels of domestic consumer awareness. Whilst activity that promotes awareness and information provision remains appropriate for certain consumer segments (such as microbusinesses and those who are less engaged), we consider that Smart Energy GB should have a role in more directly generating demand for smart meters.
 - **Building and maintaining consumer acceptance of smart metering and generating demand:** Smart Energy GB has effectively tackled misconceptions

and addressed myths regarding smart metering and has a strong PR function, which we expect to continue building consumer confidence in the benefits of smart metering. However, under the new Framework³⁶, coordinated consumer engagement activities led by Smart Energy GB also increasingly need to drive uptake, overcome barriers to consumer acceptance and tackle rejection.

- **Promoting consumer behaviour change, informed by smart meter data:** As the proportion of consumers with smart meters increases, support and guidance on how information on energy use can help consumers change their behaviour will become increasingly important. We expect Smart Energy GB to ramp up its activity in this area to assist consumers in more effectively and efficiently managing their energy use.
- **Supporting more vulnerable, harder to reach and less engaged consumers:** As the rollout progresses, energy suppliers will increasingly need to concentrate their efforts on converting harder to reach and less engaged consumers, as well as those in vulnerable circumstances. Smart Energy GB has undertaken some effective activity in this area to date, however further support will be required to ensure that these consumers both accept smart meters and realise the benefits.
- **Coordinating industry-wide consumer engagement activities:** As the focus of consumer engagement shifts from broad messaging to engaging specific consumer groups there may be benefits associated with further coordinating activity across industry. For example, local, targeted activity has the potential to support higher levels of smart meter coverage, whilst delivering this in a coordinated manner may result in efficiency savings. We consider that Smart Energy GB can play a role in establishing arrangements for enabling a greater focus on collaboration going forward.

29. Reflecting this updated focus, we propose amending Smart Energy GB's objectives as set out in energy supply licence conditions, to ensure that they remain relevant for the next phase of the rollout.

Summary of proposed changes

30. We are proposing amendments to Smart Energy GB's objectives, which are set out in energy supply licences, in the following areas:

Objective	Focus of proposed change	Paragraphs
(a) Demand generation	Support the evolution of Smart Energy GB's campaign from building consumer confidence to actively driving smart meter uptake and consumer acceptance.	32 – 38
(b) Awareness raising	Address the continued need to raise microbusiness awareness of smart meters in a way that	39 – 48

³⁶ 'the new Framework' refers to the Smart Meter obligation which will be implemented following the expiration of the 'all reasonable steps' obligation.

Objective	Focus of proposed change	Paragraphs
	recognises the value of smart meter data to a range of diverse businesses.	
(c) Promoting behaviour change	Support an increased focus on activity that effectively supports the range of behaviour change enabled by smart metering.	49 – 57
(d) Supporting consumers in vulnerable circumstances	Continue support for vulnerable domestic consumers, including activity that raises awareness amongst consumers who may experience barriers to engaging with smart metering.	58 – 64
(e) Coordinating industry-wide consumer engagement activities	Require Smart Energy GB to establish arrangements to facilitate coordination between energy suppliers.	65 – 76

31. The following sections provide further detail on the proposed changes.

Demand generation

Current objective (a): build consumer confidence in the installation of Smart Metering Systems by gas and electricity suppliers.

Proposed objective (a): increase consumer demand for and acceptance of Smart Metering Systems, including by increasing consumer confidence in their installation by gas and electricity suppliers.

32. Smart Energy GB’s campaign to date has encouraged consumers to ‘seek’ or ‘accept’ smart meters by building consumer confidence and understanding of the rollout and benefits of smart metering. These attitudes, together with concerns and levels of smart meter rejection, are tracked by Smart Energy GB through a regular, large scale, consumer attitudes tracker (undertaken by Populus).³⁷
33. The most recent attitudes tracker found that, as of November 2019, of those who do not yet have smart meters installed, 35% say that they would seek or accept an installation within the next six months.³⁸ This attitudes tracking shows that a consistently high-level of demand for smart meters has been generated and maintained throughout the rollout

³⁷ For each wave of research, Populus conducts interviews using a bespoke survey, designed to be representative of the adult population of Great Britain aged 21+.

³⁸ [Smart Energy GB, Smart Energy Outlook, March 2020.](#)

so far, with the number of owners, seekers and accepters consistently representing around 60% of all households over recent years.³⁹

34. To deliver a market-wide rollout it will be necessary to successfully drive uptake amongst 'indifferent' and 'unlikely to take-up' audiences, who have previously not responded to the offer of an installation or actively sought a smart meter. In particular, it will be important to address any concerns these consumer cohorts may have and develop activities that encourage those who may be less motivated to accept an installation. Smart Energy GB research shows that a significant proportion of take-up to date has come from consumers who previously said they were indifferent or unlikely to get a smart meter. We therefore consider that successful consumer engagement campaigns have the potential to support uptake amongst these groups, and we believe there is a role for Smart Energy GB in designing and delivering these, as well as supporting energy supplier engagement with their customers.
35. Smart Energy GB's current objectives focus on requiring it to develop activities that raise awareness of smart metering (objective b) and build confidence in the installation process (objective a). Whilst these activities may lead to an increase in uptake, the current wording of the objectives limits the extent to which Smart Energy GB can undertake activity that explicitly drives consumer demand and willingness to accept smart meters. We consider that Smart Energy GB has a wider role to play to drive the levels of acceptance necessary to achieve a market-wide rollout, including priming consumers to respond positively to the offer of a smart meter from their energy supplier and more actively driving demand.
36. In addition, we consider that Smart Energy GB is well placed to contribute to building consumer confidence and acceptance of smart meters in certain circumstances beyond the initial installation. For example, some consumers will move into premises where smart meters are already operating. These consumers would not have been present at the initial installation and may face barriers to interacting with their smart meter. We consider that Smart Energy GB can assist energy suppliers in supporting these consumers to engage with their smart meters, help address any concerns and signpost to where further guidance is available. In addition, the programme to enrol SMETS1 meters into the national communications infrastructure provided by the Data Communications Company (DCC) means consumers whose smart meters had been operating in traditional mode following switching should see their smart services restored. We consider that Smart Energy GB has a role to play, alongside energy suppliers, in re-engaging these consumers once their smart services are restored to help them use their smart meters to take control of their energy use (further detail is provided in paragraph 52 in relation to promoting behaviour change). We are therefore proposing widening the scope of this objective beyond smart meter installations to include more general acceptance of smart metering.
37. Alongside this work, there remains an important role for Smart Energy GB to continue building and maintaining consumer confidence in smart metering and the installation process. This was highlighted by a number of respondents to the post-2020 consultation and includes maintaining an effective PR and media engagement function to address consumer concerns and tackle misconceptions regarding smart meters.
38. **We are therefore proposing to amend Smart Energy GB's objectives to ensure that, alongside a continued focus on building and maintaining consumer**

³⁹ Analysis of [BEIS Official Statistics](#) and [Smart Energy GB, Smart Energy Outlook, March 2020](#).

confidence, consumer engagement campaign activities are designed to explicitly drive demand and uptake.

Consultation question

- | | |
|------------|---|
| 1.1 | Do you agree that objective (a) should include a specific requirement for Smart Energy GB to deliver activities that generate demand and acceptance for smart metering? Please provide rationale. |
|------------|---|

Awareness raising

Current objective (b): build consumer awareness and understanding of the use of Smart Metering Systems (and the information obtained through them).

Proposed objective (b): in respect of Energy Consumers at Relevant Designated Premises⁴⁰, build consumer awareness and understanding of Smart Metering Systems and their benefits including the benefits to be derived from the data that may be obtained through the use of Smart Metering Systems.

Domestic consumer awareness

39. Smart Energy GB's campaign activities have successfully contributed to increased levels of consumer awareness, particularly amongst domestic consumers. The latest Smart Energy GB attitudes tracker concludes that claimed awareness of smart meters amongst domestic consumers is nearly universal. Levels increased from around 35% in late 2014⁴¹ to 97% in May 2017⁴², before remaining stable until early 2019 when a methodological change upweighted the proportion of offline consumers and resulted in a small dip in levels to 94% in May 2019.⁴³ The latest results have shown an increase to 95% in November 2019.⁴⁴
40. With such high levels of domestic consumer awareness, Government is of the view that there is no longer a need to actively build awareness and understanding at a national scale amongst domestic consumers. Whilst it remains important to monitor levels of awareness, and consider action to address any significant decline, we now expect Smart Energy GB's activity to shift towards capitalising on this widespread awareness to drive uptake and actively prepare consumers to receive smart meter installations (as outlined above). This was also echoed by some respondents to the post-2020 consultation, who stated that future emphasis should be on driving uptake, with less activity focussed on awareness raising.

⁴⁰ 'Relevant Designated Premises' means: (a) Designated Energy Premises at which the Energy Consumer is a Micro Business Energy Consumer; and (b) such additional categories of Designated Energy Premises as may be specified in a direction issued by the Secretary of State.

⁴¹ [Smart Energy GB, Annual report and accounts for year ended 31 December 2017.](#)

⁴² [Smart Energy GB, Smart Energy Outlook, August 2017.](#)

⁴³ [Smart Energy GB, Smart Energy Outlook, September 2019.](#)

⁴⁴ [Smart Energy GB, Smart Energy Outlook, March 2020.](#)

41. We therefore propose removing the reference to building awareness and understanding for domestic consumers from this objective (objective (b)).

Vulnerable domestic consumer awareness

42. Whilst we consider that it is right to move on from the awareness raising task for domestic consumers in general, there are some groups where awareness levels are lower. Smart Energy GB's latest attitudes tracker found that in November 2019, 12% of consumers who did not yet have a smart meter and who privately rent were unaware of smart meters, together with 9% of those aged 21-34. Where consumers had no personal internet access, 28% reported being unaware of smart meters, together with 14% of those on low incomes and 11% of consumers in fuel poverty.⁴⁵ Drawing on this data, Smart Energy GB notes that levels of awareness appear to be lower for two broad groups of consumers: those who tend not to actively engage in energy issues and those who face barriers to engagement.
43. A continued focus on awareness raising activities remains appropriate for these groups. It is likely that this will require targeted engagement and activity tailored to the needs of these consumers, as these groups have so far not been reached through a high-level national campaign as effectively as other consumer segments.
44. **In light of this, we propose retaining a focus on awareness raising for some domestic consumers but consider that this is more appropriate to tackle through amendments to objective (d) (see paragraphs 58-64 for more detail).**

Microbusiness consumer awareness

45. Whilst levels of awareness and understanding are high amongst the majority of domestic consumers, challenges remain in relation to microbusiness consumers. In May 2019, following consultation, Smart Energy GB's awareness raising and understanding objective (amongst others) was extended to non-domestic microbusiness consumers.⁴⁶ The latest data suggests that only 56% of microbusiness consumers⁴⁷ are aware that smart meters are available for businesses.⁴⁸ We therefore propose to retain an objective relating to awareness raising (objective (b)) for microbusiness consumers only.
46. In limiting objective (b) to microbusiness consumers only, it is appropriate to review the original wording of the objective to ensure that it remains relevant for this group. We consider that inclusion of the words 'use of' and 'information obtained through' smart meters may not be appropriate in instances where microbusinesses are not yet provided a means through which they can view their data and change their behaviour. In-Home Displays (IHDs) are not mandated for microbusinesses, given the diversity of the businesses involved and the associated needs those customers might have, and we expect that the market will develop insight tools to meet these customers' requirements. We are therefore proposing redrafting this objective to reflect the increasing importance of products, services and tools which tailor energy data feedback and insights to small businesses to help them manage their energy use. Revising this objective also

⁴⁵ Smart Energy GB, Smart Energy Outlook, November 2019 (Unpublished).

⁴⁶ [Government response on proposals to improve non-domestic consumers' awareness of smart metering, May 2019](#).

⁴⁷ Business supply microbusinesses (i.e. not home supply microbusinesses).

⁴⁸ Smart Energy GB, Microbusiness Survey, November 2019 (Unpublished).

highlights the importance of Smart Energy GB's dedicated microbusiness awareness raising campaign, which will reflect the needs and experience of this customer group.

47. The proposed amendments to this objective aim to provide the flexibility necessary to enable Smart Energy GB's microbusiness campaign activities to evolve. In particular, whilst the campaign is still in its infancy, we would expect it to initially concentrate on awareness raising and gaining a better understanding of the link between microbusiness awareness, acceptance and behaviour change. As with the domestic campaign, as awareness and understanding increases, it will be necessary to transition to a greater focus on supporting demand and behaviour change activities.
48. **In light of the high levels of awareness amongst domestic consumers, we are therefore proposing to amend objective (b) to focus on engagement with microbusiness consumers only.**

Consultation questions	
1.2	Do you agree that Smart Energy GB should no longer be required to actively build domestic consumer awareness and understanding of smart metering at a national scale? Please provide rationale.
1.3	Do you agree that objective (b) should be amended to require Smart Energy GB to continue to build awareness and understanding of smart meters amongst microbusiness consumers, including the benefits of the data derived through them? Please provide rationale.

Promoting behaviour change

Current objective (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.

Proposed objective (c): increase the willingness of Energy Consumers to use Smart Metering Systems to change their behaviour so as to enable them to more effectively and efficiently manage their use of energy.

49. Millions of consumers are already benefiting from smart meters. In order to maximise these benefits, consumers should be given appropriate support to enable them to make informed decisions about their energy use and get the most out of the technology and the insights it can provide. Energy suppliers are required under the Smart Metering Implementation Code of Practice (SMICoP)⁴⁹ to demonstrate the equipment to consumers and offer guidance on how to use energy more efficiently. Building on these obligations, Smart Energy GB also has a clear objective to increase domestic and microbusinesses consumer willingness to use smart meters to reduce their energy use.

⁴⁹ [Smart Meter Installation Code of Practice \(SMICoP\)](#) specifies the minimum standards for Code Members to follow in relation to the Customer facing aspects of the installation of Smart Metering Systems for both domestic and microbusiness customers.

50. At the end of 2019, Smart Energy GB's annual report showed that 61% of the domestic GB smart metered population (with smart functionality) actively manages their energy use, and that 41% say that having a smart meter has made a great deal / fair amount of difference to how much energy they use.⁵⁰ These results exceeded the targets set for Smart Energy GB by energy suppliers through the domestic Performance Management Framework (PMF).⁵¹
51. As increasing numbers of consumers have smart meters installed and they become a normal feature in households, we expect a greater focus from Smart Energy GB on activities that directly support behaviour change. In light of the diversity of consumers' circumstances, we would expect that tailored campaigns will be necessary to maximise engagement and ensure that consumers are able to get the most out of their smart meters and sustain these benefits. This perspective was supported by several respondents to the post-2020 consultation who highlighted a growing need to focus on supporting consumer behaviour change. In particular, it was noted by some respondents that consumers will require additional support, beyond the simple demonstration provided during the installation visit and that more post-installation guidance is likely to be required.
52. As part of an increased focus on campaigns that seek to drive behaviour change, we expect that it will be necessary to develop tailored approaches to target specific consumer groups. As an example, as outlined in paragraph 36, we expect Smart Energy GB to play a role in supporting consumers who were not present during the original installation of their smart meter or who have had their smart meter functionality restored following the enrolment of SMETS1 meters into the DCC.
53. In relation to the latter group in particular, research suggests that consumers with full smart functionality report more positive engagement with their smart meters than those who have temporarily lost smart services. At the end of June 2019, Smart Energy GB's annual report showed that 57% of consumers with smart functionality reported they actively manage their energy use, compared with 43% of consumers without smart functionality.⁵² In addition, 34% of consumers with smart functionality, compared to 24% without, reported that their smart meter has made a great deal or fair amount of difference to how much energy they use at home. We consider that Smart Energy GB has a role to play in helping these customers (re)engage with their smart meters, complementing supplier activity in this area.
54. The current wording for this objective directs Smart Energy GB to focus on activities that support consumers in 'reducing' energy consumption. Smart metering offers significant opportunities for consumers to take steps to reduce their energy usage, and we estimate that this action will lead to sizeable benefits for both consumers and the energy system. However, smart meters are also a key enabler for a smarter and more flexible energy system which will be fundamental to delivering the Government's net zero objectives. This relies on a greater degree of responsiveness in relation to demand and supply, with the timing of consumption becoming increasingly important. In light of this, we propose widening the scope of this behaviour change objective.

⁵⁰ [Smart Energy GB, Annual report and accounts for year ended 31 December 2019.](#)

⁵¹ The domestic PMF targets for end-H2 2019 were: 56% of GB adults (who have a smart meter) who agree to the statement, "I actively manage how much energy I use around my home"; and 34% of GB adults (who have a smart meter) reporting "great deal of difference/fair amount of difference" for "What difference, if any, has having a smart meter made to how much energy you use at home?"

⁵² [Smart Energy GB, Annual report and accounts for year ended 31 December 2019.](#)

55. Whilst we expect Smart Energy GB to continue to prioritise activities that support energy consumption reductions, we recognise that in certain circumstances it may be appropriate to highlight the wider benefits offered by smart metering in supporting both consumers and our transition to a smarter energy system. This could include engaging prepayment consumers to make use of alternative top-up channels, encouraging consumers to shift usage from traditional peak times and supporting energy management applications that build on smart metering.⁵³
56. **We propose amending this objective to refer to supporting domestic and microbusiness consumers to manage their energy usage more effectively and efficiently. This proposed amendment also reflects that for some consumers, particularly those in vulnerable circumstances, it may not be appropriate to encourage reductions in energy usage.**
57. We consider that an increased focus on activity supporting this objective will be required in the next phase of the rollout. Reflecting this ambition, we expect that appropriately stretching and tailored Performance Management Framework (PMF) targets will be set in relation to this objective.

Consultation question

- | | |
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| 1.4 | Do you agree that objective (c) should be amended to widen Smart Energy GB's behaviour change activities beyond a central focus on energy consumption reduction? Please provide rationale. |
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Supporting consumers in vulnerable circumstances

Current objective (d): in respect of Energy Consumers at Domestic Energy Premises only, assist those 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.

Proposed objective (d): in respect of Energy Consumers at Domestic Energy Premises, who have low incomes or prepayment meters, or who due to their particular circumstances or characteristics may encounter additional barriers in being able to realise the benefits of Smart Metering Systems:

- (i) build their awareness and understanding of Smart Metering Systems; and
- (ii) assist them to realise the benefits of Smart Metering Systems while continuing to maintain an adequate level of warmth and meet their other energy needs.

58. Smart Energy GB's fourth objective relates to assisting consumers who may encounter additional barriers to realising the benefits of smart metering, together with prepayment

⁵³ Such as the feedback products and services being trialled as part of the [Smart Energy Savings \(SENS\) competition](#) which use smart meter data to help domestic consumers reduce their energy consumption.

consumers and those with low incomes. Activity to support this objective has largely focussed on providing detailed, factual information on smart metering and the installation process together with a wider suite of partnerships designed to raise awareness amongst those consumers who are less likely to seek or accept smart meters. This has included partnerships with wide-reaching organisations such as the Royal Horticultural Society (RHS), National Trust and Ideal Home Show Scotland, together with local and regional partners via the ‘Smart Energy GB In Communities’ Programme.⁵⁴

59. The ‘Smart Energy GB In Communities Programme’ is delivered in partnership with National Energy Action (NEA)⁵⁵ and Energy Action Scotland (EAS)⁵⁶. Activities include smart meter training to upskill advisors, grant funding for projects and free resources to support engagement activities. In 2019, activity was targeted at partners who reach people over the age of 65, who were identified as requiring further support and information about smart metering and how to realise the benefits. This work built on a programme of activity undertaken in 2018, designed to support people over the age of 60 with no personal internet access, together with those over the age of 65, those on a low income and individuals who are severely or profoundly D/deaf.
60. As the rollout progresses, energy suppliers and Smart Energy GB will increasingly need to focus efforts on supporting uptake and acceptance amongst vulnerable and harder to reach consumers. The move to the next phase of the rollout represents an appropriate point for a greater focus on activities in this area, in line with a broader shift away from large-scale national campaigning to more targeted and tailored consumer engagement. This was supported by a number of respondents to the post-2020 consultation, with a few consultees specifically noting that an increased focus on activity that supports this objective is needed.
61. In particular, one respondent called for the ‘In Communities’ Programme to be expanded to other key target groups, who Smart Energy GB previously defined in their ‘Smart Energy for All’ report.⁵⁷ As an example, the ‘Smart Energy for All’ identified private tenants as a group which may experience barriers to accessing smart meters. Although Smart Energy GB research shows that private tenants are more likely to want a smart meter than consumers on other tenures⁵⁸, the most recent English Housing Survey shows that privately rented households are substantially less likely to actually have a smart meter installed,⁵⁹ with only 14% of homes in the private rented sector having an electricity smart meter, compared with 25% of owner occupied and 24% of social rented homes. As outlined in the Government response to the post-2020 consultation,⁶⁰ we will consider the rights and responsibilities of tenants and landlords regarding smart meter installations. Alongside this, we consider that Smart Energy GB has a role to play in assisting tenants and supporting landlords in both obtaining smart meters and then realising the benefits.
62. Engaging with trusted intermediaries and establishing partnerships that provide enhanced support for particular groups may provide one route to assist these

⁵⁴ [Smart Energy GB in Communities](#).

⁵⁵ [National Energy Action's website](#).

⁵⁶ [Energy Action Scotland's website](#).

⁵⁷ [Smart Energy GB, Smart Energy for All, July 2015](#).

⁵⁸ [Smart Energy GB, Smart Energy Outlook, March 2019](#).

⁵⁹ [MHCLG, English Housing Survey, Headline Report, 2018-19](#). Note Scottish and Welsh households are not included in this survey but are in scope of the rollout.

⁶⁰ [Government response to consultation on a Smart Meter Policy Framework post-2020, June 2020](#).

consumers. Tailored information that addresses specific concerns may also provide reassurance and support uptake. As part of their work to deliver against this objective, we therefore consider that Smart Energy GB's Board should explore the scope and scale of the 'Smart Energy GB In Communities' Programme. This should include whether there are benefits to expanding its activities to engage more consumer groups and include a focus on supporting behaviour change, as well as awareness raising.

63. In relation to awareness raising, evidence from Smart Energy GB's attitudes tracker shows that some consumer groups are more likely to not be aware of smart meters compared to the overall population. This includes some consumer groups who may be more likely to be vulnerable, including: the over 65s, those from a lower socio-economic group, those on a low income and those who are renters. Whilst ownership levels amongst most of these groups are consistent with the wider population⁶¹, ongoing work will be required to provide these consumers with information on smart metering, to help build their confidence in the rollout and encourage acceptance when they are offered a smart meter. We therefore propose that Smart Energy GB should continue to have an objective that supports awareness raising for these consumers, and anticipate that activity in this area will be delivered primarily through targeted engagement and partnerships with appropriate organisations.
64. We consider that it remains appropriate for Smart Energy GB to have an objective to assist consumer groups who may experience barriers to realising the benefits of smart metering. As the rollout moves into the next phase, we expect activity to support this objective to increase, drawing on relevant evidence. As outlined previously (see paragraph 42), some consumer groups with specific barriers to engaging with information on smart metering have lower levels of awareness. **To ensure that activities designed to raise awareness can continue for these audiences, we propose extending objective (d) to support awareness raising for these domestic consumers.**

Consultation question

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| 1.5 | Do you agree that objective (d) should include a requirement for Smart Energy GB to continue building awareness amongst consumers who may experience barriers to obtaining and realising the benefits of smart metering? Please provide rationale. |
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Coordinating industry-wide consumer engagement activities

Proposed objective (e): establish and maintain an administrative framework for facilitating the coordination of consumer engagement activities in respect of Smart Metering Systems that are carried on (or proposed to be carried on) by individual Energy Suppliers.

65. The Government's Response to the Consumer Engagement Strategy consultation in 2012 outlined an expectation that the Central Delivery Body (which later became Smart Energy GB), would undertake coordinated activity.⁶² In developing and reviewing their Consumer Engagement Plan, Smart Energy GB is therefore currently required to

⁶¹ The exception being private renters (see paragraph 61).

⁶² [Government response to the consultation on the consumer engagement strategy, December 2012.](#)

describe how it will undertake activities that reflect the needs of different groups and consider opportunities for coordination with other parties. It was expected that the focus of this activity in the early stages of the rollout would be on adapting broader messaging and engagement activities to meet the requirements of particular groups of consumers.

66. Alongside its broad national campaign, Smart Energy GB has therefore established a range of marketing partnerships, working with trusted brands and intermediaries to engage specific groups of consumers to raise awareness of smart metering and the benefits of the rollout. This has included partnerships with organisations such as the National Trust, the National Union of Students and Age UK, who often have established channels of communication with their members and target audiences. In addition, as outlined above, the 'Smart Energy GB In Communities Programme' has worked with regional and local partners to offer training, resources and grants. These partners are focussed on delivering face-to-face activity and have reached consumers through a range of community based events.⁶³
67. As outlined previously in this chapter, as we approach the next phase of the smart meter rollout the nature of the consumer engagement task will change. We have therefore outlined proposals to update Smart Energy GB's objectives to enable a shift from broad awareness raising campaigns towards activities that drive uptake and acceptance of smart metering. Alongside this, we expect to see an increased focus on supporting consumer behaviour change and assisting those groups who may experience particular barriers to realising the benefits of smart metering.
68. International rollouts have shown that local, targeted consumer engagement activity can successfully deliver high levels of smart meter coverage. Coordinating and intensifying activity in particular geographical areas has the potential to increase uptake by raising the visibility of activity and better exploiting positive word-of-mouth, which research has consistently found to be one of the most influential sources of information about smart meters.⁶⁴ This approach can generate a local sense of momentum around the rollout similar to that of other successful infrastructure upgrades (e.g. the Digital TV Switchover), which will help support take-up amongst less engaged consumers.
69. In the context of a supplier-led rollout, it is necessary for any activity focussed on particular locations to be effectively coordinated across multiple parties. If delivered effectively, a coordinated approach may also generate efficiencies, for example avoiding the need for multiple energy suppliers to work with the same local partners.
70. A number of respondents to the post-2020 consultation highlighted the ongoing work to deliver a Local Consumer Engagement Pilot as a potential model for future activity in this area. Through this pilot energy suppliers, industry partners and Smart Energy GB are working together to design and test a range of local interventions. A programme of proactive and coordinated engagement has been developed, with energy suppliers and Smart Energy GB aligning their communications and developing complementary messaging. In conjunction with partnerships with trusted local organisations, pilot members are collaborating on face-to-face activity and engagement with the Local Authority.⁶⁵ The pilot will enable consideration of the extent to which coordinated

⁶³ [Smart Energy GB, Annual report and accounts for year ended 31 December 2019.](#)

⁶⁴ For example, [BEIS' Smart Meter Customer Experience Study 2017](#) found that after energy suppliers, word-of-mouth was cited as the most common source of information about smart meters.

⁶⁵ The Local Consumer Engagement Pilot launched in February 2020 and was designed to run until May 2020. However, in light of the coronavirus (COVID-19) pandemic, energy suppliers and partner organisations took the decision to suspend activity with the intention of resuming trials at an appropriate later date.

approaches can generate demand for smart meters and increase the likelihood of successful installations taking place by ensuring that consumers are prepared and supported through the process.

71. The Local Consumer Engagement Pilot has demonstrated an appetite amongst energy suppliers to work together with Smart Energy GB in key areas to address consumer engagement challenges. Evaluation of the impact of this pilot is likely to identify opportunities for future coordinated activity and recommend where initiatives can be repeated and scaled over the course of the next phase of the rollout. Whilst delivered by energy suppliers and Smart Energy GB, the pilot has been facilitated by BEIS, which took on the role of coordinating activity and maintaining appropriate governance arrangements. Several respondents to the post-2020 consultation suggested that Smart Energy GB would be well placed to take forward recommendations and lead future activity in this area.
72. We consider that Smart Energy GB can play a valuable role supporting coordinated consumer engagement activity in the following broad areas:
 - Facilitating coordination between energy suppliers to increase demand for smart meters, encourage acceptance (including from those who may not currently proactively want one), and improve the consumer experience. As an example, this could include facilitating and monitoring coordinated face-to-face engagement with consumers to provide information on smart metering and book appointments.
 - Extending partnership activity to support consumer behaviour change, in addition to current activity focussed on marketing partnerships designed to raise awareness and promote acceptance.
 - Supporting the identification and dissemination of ‘good practice’ in relation to consumer engagement approaches, including through testing and trialling (‘test and learn’) new and innovative activities which could be adopted by energy suppliers or delivered in a coordinated manner.
 - Designing targeted geographical approaches and supporting closer alignment of activities led by Smart Energy GB and those delivered by energy suppliers. This could include activity in particularly complex geographical locations, where a joined-up customer journey could improve the effectiveness of engagement and support efficiencies. This activity could take place at a range of scales, from city-level to individual communities. The latter approach may be particularly appropriate where technical challenges lend themselves to more tailored engagement, such as where premises require Alternative Home Area Network solutions (Alt-HAN).
73. A clear objective for Smart Energy GB to act as a coordinating body to facilitate industry-wide collaboration would support delivery in these areas and contribute to delivery of its other objectives. Closer alignment between consumer engagement and supplier-led operational fulfilment may also help overcome barriers to successful installations and increase smart meter uptake, whilst improving consumer experience and positive word of mouth.
74. **To support further activity, similar to that being tested through the Local Consumer Engagement Pilot, we propose introducing a new objective for Smart Energy GB to establish arrangements to facilitate coordination between relevant**

parties. This will sit alongside the existing requirement on energy suppliers to cooperate with Smart Energy GB.⁶⁶

75. In developing this proposal, we have sought to avoid prescribing the nature of any coordinated activities, and focussed instead on ensuring that appropriate arrangements are in place to support collaboration. Whilst we consider that the areas outlined in paragraph 72 will remain relevant, at least in the short term, we recognise that the needs of energy suppliers in this area are likely to change over the remainder of the rollout. We have therefore sought to ensure flexibility is retained in relation to the specific activities necessary to meet this new objective. We expect that the Smart Energy GB Board will provide strategic oversight in this area, drawing on relevant evidence, and as a minimum we expect that a steering group will be established to develop proposals and lead coordinated activities.
76. To support these activities and enable effective delivery of consumer engagement objectives, energy suppliers will need to work even more closely and collaboratively with Smart Energy GB in the next phase of the rollout. As noted above, an obligation already exists within energy supply licences requiring suppliers to cooperate with Smart Energy GB for the purposes of enabling it to undertake its activities. In particular, where information held by energy suppliers can support Smart Energy GB in the cost effective development and evaluation of its engagement activities, we consider that it is appropriate for this to be made available (subject to appropriate data protection safeguards and/or limitations to preserve commercial confidentiality and ensure compliance with competition law). We encourage energy suppliers and Smart Energy GB to work together to develop any requests for data sharing, ensuring that they are proportionate, targeted and fulfilled in a timely manner. We would also expect Smart Energy GB to continue to engage transparently with energy suppliers in turn, including sharing details and results of evaluation and research activities.

Consultation question

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| 1.6 | Do you agree that Smart Energy GB has a role to play in supporting coordinated activities and that a new objective should be introduced in energy supply licences to establish appropriate arrangements to facilitate this activity? Please provide rationale. |
|------------|--|

⁶⁶ Electricity Supply Standard Licence Condition 45.32 (Relevant Suppliers), 45.34 (Small Domestic Suppliers), 45.42 (Large Non-Domestic Suppliers) 45.45 (Small Non-Domestic Suppliers) and Gas Supply Standard Licence Condition 39.32 (Relevant Suppliers), 39.34 (Small Domestic Suppliers), 39.42 (Large Non-Domestic Suppliers) 39.45 (Small Non-Domestic Suppliers).

Section Two: Governance

Introduction

77. In 2012, Government introduced a requirement for large domestic energy suppliers to set up the Central Delivery Body (which later became Smart Energy GB), and take steps to ensure that it was constituted in accordance with the provisions set out in licence conditions.⁶⁷ This included specific requirements in relation to its governance. Energy supply licences also require large domestic energy suppliers to ensure that in achieving its objectives, Smart Energy GB acts in a manner which is transparent, impartial, cost-effective and represents value for money.⁶⁸
78. Smart Energy GB is governed by a Non-Executive Board, the composition of which is set out in energy supply licence conditions as follows:
- an independent Chair;
 - six Directors nominated by and representing large domestic energy suppliers;
 - two Directors nominated by and representing small domestic energy suppliers;
 - one Director nominated by and representing non-domestic energy suppliers;
 - one Director nominated by and representing non-domestic only energy suppliers;
 - two Directors nominated by Citizens Advice and Citizens Advice Scotland; and
 - two Directors representing the interest of energy consumers.
79. In determining the make-up of the Board, Government was mindful that energy suppliers have overall accountability for ensuring that Smart Energy GB achieves its objectives. In light of this, it was necessary to ensure appropriate representation from energy suppliers on the Board. However, this was balanced against the importance of obtaining expert advice relating to consumer engagement and the need for the organisation to operate as an independent body in order to build credibility with consumers.
80. Whilst the Board's responsibilities are not set out in licence, several requirements were introduced to support Smart Energy GB's operations. These include a requirement to produce and maintain a Consumer Engagement Plan, develop an annual budget, and prepare an annual report. Smart Energy GB's Articles of Association also set out further details of the organisation's governance arrangements.
81. Government also included a requirement for Smart Energy GB to obtain, and give full consideration to, expert advice that will help achieve its objectives. It was anticipated that this would include: advice on the technical and operational features of smart meters; consumer engagement; communications and marketing; and behaviour change. The 2012 consultation response also outlined that a secretariat function would be

⁶⁷ Also known as 'Relevant Suppliers' in Electricity Supply Standard Licence Condition 45 and Gas Supply Standard Licence Condition 39, covering energy suppliers who supply either gas or electricity (or both) to more than 250,000 Energy Customers at Domestic Energy Premises.

⁶⁸ Electricity Supply Standard Licence Condition 45.26 and Gas Supply Standard Licence Condition 39.26.

required to support the Board in preparing information and in managing the expert advice function.⁶⁹

82. To ensure that appropriate processes are in place to assess the effectiveness of Smart Energy GB's activities in achieving its purpose and objectives, Government also introduced a requirement to establish a Performance Management Framework (PMF). The PMF sets out the standards, including key performance indicators and targets, against which Smart Energy GB's performance can be measured, and must be kept under review. Responsibility for setting and maintaining the PMF currently sits with energy suppliers, who established a PMF Forum to manage this process.
83. In 2018, Smart Energy GB's Board commissioned an independent review of the organisation's governance arrangements. Details of the review were outlined in the 2018 annual report, including the conclusion that Smart Energy GB has an unusually complex set of governance structures, resulting from the requirements set out in energy supply licences.⁷⁰ It was noted that these complexities have an impact on the operation of the organisation, including the need for a significant amount of management time to be dedicated to serving multiple groups.
84. Since the independent review and following the extension of some of Smart Energy GB's objectives to microbusiness consumers, energy suppliers were also required to establish and maintain a non-domestic PMF. To support this, energy suppliers established a Non-Domestic PMF Forum, which operates alongside the existing Domestic PMF Forum. These PMF Forums operate outside of the formal governance structure for Smart Energy GB, with an independent Chair and separate secretariat.
85. At the time of the governance review it was noted that there was no overall appetite for major governance reform. However, the creation of the Non-Domestic PMF Forum in 2019 has potentially introduced further complexity. In addition, a few responses to the post-2020 consultation suggested that the introduction of a new regulatory framework represented an appropriate point to reflect on Smart Energy GB's governance structure. We agree this is now appropriate, particularly in light of the proposals outlined earlier in this document to amend Smart Energy GB's objectives, including a new objective relating to coordination. We expect that these changes will also require the organisation to evolve to ensure that it can effectively draw on the necessary skills and expertise at all levels.

Summary of proposed changes

86. Drawing on both the post-2020 consultation responses and wider stakeholder engagement, we have considered whether:
 - the Board is an appropriate size to enable focussed and constructive discussion and whether its composition enables it to deliver effectively against its objectives;

⁶⁹ [Government response to the consultation on the consumer engagement strategy, December 2012.](#)

⁷⁰ [Smart Energy GB, Annual report and accounts for year ended 31 December 2018.](#)

Consultation on coordinated consumer engagement

- the roles and responsibilities of the Board and the PMF Forums are designed in a way that appropriately empowers the Board to set the strategic direction for Smart Energy GB;
- in recognition of their wider responsibilities, energy suppliers have suitable influence over the organisation.

87. Reflecting on the above areas, we propose making changes to Smart Energy GB's governance arrangements as set out below:

Area of change	Proposed amendment	Paragraphs
Board size	Reducing the size of the Board from 14 to 11 Directors (excluding the Chair).	89 – 91
Board Membership	Restructuring Board membership to include: <ul style="list-style-type: none"> • one Independent Chair; • six Directors representing the interests of energy suppliers; • four Directors representing the interests of domestic and microbusiness energy consumers; and • the CEO of Smart Energy GB. 	92 – 100
Board meeting records	A record of Board meetings should be made available on request.	101 – 103
Board recruitment and nominations	In relation to the six Directors representing the interests of energy suppliers: <ul style="list-style-type: none"> • Any energy supplier can nominate an individual from within their own organisation to be considered for the Board. • Any individual working for any energy supplier can put themselves forward to be considered for the Board. <p>In relation to the four Directors representing the interests of energy consumers:</p> <ul style="list-style-type: none"> • Any individual can put themselves forward to be considered for the Board. <p>Appointments Committee:</p>	104 – 113

Area of change	Proposed amendment	Paragraphs
	<ul style="list-style-type: none"> An Appointments Committee (made up of the Chair, the CEO and parties with relevant interests) shall be responsible for appointing Directors to the Board. <p>Board members must possess suitable skills, knowledge, experience, and personal qualities necessary to perform effectively as a member of the Board.</p> <p>We also propose permitting Non-Executive Directors to receive reasonable remuneration for their services, where it is appropriate for them to do so.</p>	
Responsibility for the PMF	<p>Requiring the Board to be responsible for the development and maintenance of the Performance Management Framework (PMF), which must set out separate standards for domestic and microbusiness areas.</p> <p>Requiring two Advisory Groups be established (one Domestic Consumer Advisory Group and one Microbusiness Consumer Advisory Group), which report to the Board, tasked with developing the PMF standards, as well as other duties that the Board sees fit.</p>	114 – 120
Budget arrangements	Requiring that the Board consult with relevant energy suppliers and take their views into account when developing the budget.	121 – 123

88. The following sections provide further detail on the proposed changes.

Board size

89. Smart Energy GB’s Board is currently composed of one independent Chair (who has a casting vote only) and 14 Non-Executive Directors. Several observers also attend the Board meetings, including representatives from BEIS, Ofgem,⁷¹ Smart Energy GB, network operators, the Chair of Smart Energy GB’s Audit & Risk Committee, and the Chair of the PMF Forums.

90. Whilst there are some advantages to having a large board, including greater opportunity for diversity of views, it can also be a barrier to constructive discussion and decision making. Since the organisation was established, a few of the Board positions have also remained vacant for extended periods of time, which may suggest that maintaining a large board has proved challenging. Smaller boards have the advantage of maximising engagement and enabling simpler decision making. Many sources, including the

⁷¹ Ofgem is the Government regulator for gas and electricity markets in Great Britain.

Cabinet Office and HM Treasury's good practice guidance on corporate governance, suggest that the optimum size for a board is around nine to twelve members.⁷²

91. **Government is therefore proposing to reduce the size of Smart Energy GB's Board from 14 to 11 voting members (together with the Chair), to align with good practice and enable the Board to operate more effectively.**

Board membership

92. Smart Energy GB's Board is currently composed of 10 Directors nominated by and representing energy suppliers, together with four Directors either recruited to represent energy consumer interests or nominated by Citizens Advice / Citizens Advice Scotland. Reducing the size of the Smart Energy GB Board offers an opportunity to review the current composition to ensure that it has the right balance of expertise to support the organisation in delivering the updated objectives proposed in Section One.
93. In establishing the requirements for the Central Delivery Body's Board in 2012, Government sought to achieve a balance between energy supplier and consumer interests that was appropriate in the early stages of the smart meter rollout. At that time, energy suppliers had not yet started to install smart meters at scale and the 'all reasonable steps' framework provided a significant degree of discretion to individual energy suppliers to set their own rollout plans. This enabled energy suppliers to take the time necessary to ensure thorough testing of systems and processes to deliver a positive consumer experience. As issues relating to technical eligibility are increasingly addressed across both the domestic and non-domestic portfolio, consumer eligibility has, and will continue to, increase substantially. Recognising this maturity, the new Framework introduces binding annual targets.⁷³ In light of this development, it is appropriate to review whether the balance of interests on Smart Energy GB's Board remains appropriate.
94. Energy suppliers' approaches to the smart meter rollout are now increasingly developed, however consumer engagement has been identified by many of them as a key challenge for the next phase of the rollout. When Smart Energy GB was established, consumer awareness of smart metering was low. Successful campaigns focussing on providing information and highlighting the benefits of smart metering drove early adoption as consumers actively sought smart meters or became willing to accept an installation. Even more sophisticated engagement campaigns will now be required to deliver the highest levels of smart meter coverage, whilst more targeted and tailored campaigns will be necessary to address specific concerns and tackle rejection. Expertise relating to consumer engagement, particularly how to effectively engage with harder to reach audiences, will be vital in the next phase of the rollout.
95. In considering the composition of a smaller Board we have not only sought to ensure that an appropriate balance between energy supplier and consumer interests is maintained, but that this is fit for purpose in light of the challenges posed by the next phase of the rollout.

⁷² [Corporate governance code for central government departments, April 2017](#).

⁷³ 'the new Framework' refers to the Smart Meter obligation which will be implemented following the expiration of the 'all reasonable steps' obligation.

96. **Government is therefore proposing that the new Board is composed of:**
- **one independent Chair;**
 - **six Directors representing the interests of energy suppliers;**
 - **four Directors representing the interests of domestic and microbusiness energy consumers; and**
 - **the CEO of Smart Energy GB.**
97. In developing proposals to rebalance the Smart Energy GB Board, we have sought to ensure that energy suppliers retain appropriate influence, in light of their wider accountability for the organisation. Under the proposed new structure for the Board, Directors representing the interests of energy suppliers remain the largest constituency and hold a majority, but the balance is now more evenly weighted against the number of Directors representing the interests of energy consumers.
98. The retail energy market has evolved significantly since Smart Energy GB was established, with an increase both in the total number of energy suppliers offering services and in the number of large energy suppliers.⁷⁴ In light of these changes, and the diversity of business models operated by energy suppliers, categories such as ‘large’ and ‘small’ have become less representative. We are therefore proposing to remove the current requirement for Directors representing the interests of energy suppliers to represent specific supplier groupings. This proposed change reflects the evolution of the energy industry, whilst also future-proofing the composition of the Board by providing discretion to the Appointments Committee (see paragraph 109) to take into account future market developments.
99. Effective consumer engagement campaigns will be central to successfully achieving the high levels of smart meter coverage required for energy suppliers to meet their obligations under the new Framework. As outlined in earlier chapters, the awareness raising task is largely complete and more targeted and tailored campaigns will be required to engage harder to reach audiences. We anticipate that national marketing campaigns will need to be increasingly supplemented by a greater focus on more agile and tailored digital content, partnerships, and local activity. To ensure that Smart Energy GB can call on appropriate expertise to advise in this area we are proposing increasing the proportion of Directors representing the interests of domestic and microbusiness energy consumers. Under the proposed new structure for Smart Energy GB’s Board, four Directors will be recruited through open competition to represent the interests of domestic and microbusiness energy consumers.
100. We are also proposing that the Chief Executive Officer (CEO) of Smart Energy GB becomes a voting Board member. It is common practice for Boards to have inside directors who can represent the interests of the organisation and its stakeholders. Our proposal therefore enables the Board to formally benefit from the insight offered by the CEO.

⁷⁴ Large domestic energy suppliers or ‘Relevant Suppliers’ are those who supply either gas or electricity (or both) to more than 250,000 Energy Customers at Domestic Energy Premises.

Consultation question

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| 2.1 | Do you agree with our proposal to reduce the size of Smart Energy GB's Board and establish a requirement that it is composed of an independent Chair, together with six Directors representing the interests of energy suppliers, four Directors representing the interests of domestic and non-domestic energy consumers and the CEO of Smart Energy GB? Please provide rationale. |
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Board meeting records

101. In line with good company practice, records of Smart Energy GB's Board meetings are kept, but remain confidential and are circulated only to Board members. Whilst it is important that Directors have the confidence to talk openly to provide advice and challenge, this needs to be balanced against the importance of accountability in decision making.
102. **We propose that a record of Board meetings should be made available on request and include: date, time and agenda; Director attendance; observer organisations represented; key decisions; and outcomes of any votes.**
103. We consider that this will support good governance, promote engagement from Directors and ensure an appropriate level of transparency. To ensure that free and frank discussion can take place within meetings, we do not consider that records need to provide a verbatim account of discussions or attribute statements to particular Board members. To support this, we propose introducing provisions to exclude from this record information that could prejudice the interests of any individual or organisation (including commercial interests).

Consultation question

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| 2.2 | Do you agree that a record of Board meetings, including attendance, should be made available to any party on request? Please provide rationale. |
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Board recruitment and nominations

104. In reviewing Smart Energy GB's governance arrangements, we have considered the extent to which the existing provisions enable Directors to act in the best interests of the organisation, in line with their obligations under the Companies Act to promote the success of Smart Energy GB and exercise independent judgement.⁷⁵
105. Under the current arrangements, two of the 14 Directors – those representing the interest of energy consumers – are recruited to the Smart Energy GB Board, the remaining 12 are nominated by their relevant organisations, as set out in the energy supply licences.⁷⁶ Concerns have been raised that the current nominations process for

⁷⁵ [Companies House, 7 duties of a company director, February 2019.](#)

⁷⁶ Smart Energy GB's Articles of Association outline that each Director shall serve for a two-year term, before retiring at the following Annual General Meeting (AGM). Retiring Directors are eligible for re-election or re-appointment.

Board members can make it difficult for those individuals to feel empowered to act independently and fully represent the range of interests within their respective categories.

106. The Board is responsible for setting the strategic direction for the organisation. If Directors feel that they need to reflect their employers' position in all discussions, rather than drawing on their wider expertise and experience, this risks stifling constructive discussion. In making decisions, Directors should consider the views of those they represent and the consequences of particular courses of action. However, they must justify their approach based on the best interests of Smart Energy GB and not on the basis of what works best for a single outside organisation.
107. However, we also recognise that Smart Energy GB is not itself a licensed entity and its objectives and governance arrangements are set out in energy supply licences. Energy suppliers are therefore responsible for ensuring Smart Energy GB's activities and operation are compliant. In order to discharge this responsibility, it is necessary for them to have appropriate influence over the organisation.
108. **To ensure that energy suppliers can continue to meet their obligations, whilst addressing concerns regarding the current nominations process, we propose moving towards a more hybrid model, based on recruitment. Under the proposed model, Directors representing both energy supplier and consumer interests will be recruited through a competitive process, whereby:**
 - **Directors representing the interests of domestic and microbusiness energy consumers are recruited on the basis of their skills, knowledge and experience through a fully open recruitment process, replacing the current arrangements where two Directors are nominated by Citizens Advice / Citizens Advice Scotland.**
 - **Energy suppliers will be able to nominate individuals from their organisations to be considered for appointment as a Director representing the interests of energy suppliers. In addition, any person employed by an energy supplier may nominate themselves to be considered for appointment as a Director representing the interests of all energy suppliers.**
109. We propose that decisions on appointments to the Board be made by an Appointments Committee comprised of the Chair, CEO and any other persons representing parties with relevant interests, as determined by the Chair and CEO. This committee will be responsible for ensuring that Board members have the precise skills, knowledge, and experience necessary to meet Smart Energy GB's objectives.
110. We consider that moving to a model where all Directors are recruited will empower and provide clarity to Board members, whilst safeguarding their independence. This approach will enable Directors to be appointed based on their skills, knowledge, and experience, which can be explored and tested through a competitive selection process. Over time, we expect that this will strengthen the Board through the recruitment of motivated individuals with relevant expertise to both guide Smart Energy GB and provide appropriate strategic challenge.
111. Whilst we believe that there are significant advantages in moving towards a recruitment-based model for the Board, we recognise that this proposal will result in Citizens Advice

and Citizens Advice Scotland no longer having an automatic right to nominate individuals to represent the interests of consumers. We consider that individuals from these organisations are likely to have the necessary skills and experience to warrant putting themselves forward to be considered for appointment by an Appointments Committee. However, we particularly welcome views from consultees on the proposal to move away from a nominations process in this area.

112. In addition, whilst we are proposing removing the requirement for energy supplier representatives to act on behalf of particular supplier groups (such as 'large', 'small' and 'non-domestic'), we expect that through the recruitment process, the Appointments Committee will ensure that individuals with expertise in relation to these groups are represented on the Board.
113. To support this proposal and incentivise higher levels of engagement, we also consider that Smart Energy GB should explore providing remuneration to Non-Executive Directors, where appropriate.⁷⁷

Consultation question

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| 2.3 | Do you agree that Board members should be recruited on the basis of skills and experience, with energy suppliers retaining the ability to nominate candidates, but with the final decision on appointments made by an Appointments Committee composed of the Chair, CEO and parties with relevant interests? Please provide rationale. |
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Responsibility for developing and maintaining the PMF

114. To ensure that appropriate processes are in place to assess the effectiveness of Smart Energy GB's activities in achieving its objectives, Government introduced a requirement to produce a Performance Management Framework (PMF). Energy suppliers are required by licence to maintain both the domestic and non-domestic PMFs, which set out the standards against which Smart Energy GB's performance is measured.
115. Energy suppliers review Smart Energy GB's performance against PMF targets, which they set on an annual basis. To support this process, representatives of relevant energy suppliers convened a group known as the PMF Forum. In 2019, following updates to Smart Energy GB's objectives to formally extend engagement activities to cover microbusiness consumers, an equivalent Non-Domestic PMF Forum was established. In addition to monitoring performance, the Forums have also undertaken 'deep dives' on particular areas and commissioned detailed analysis and insight on the effectiveness of Smart Energy GB's activities.
116. Whilst the obligation to produce and maintain a domestic and non-domestic PMF is outlined in energy supply licences, the PMF Forums are not part of the formal governance arrangements for Smart Energy GB. Recognising the complexity of this situation and to support coordination, a representative of the Board is invited to attend PMF Forum meetings and the PMF Chair is invited to attend Board meetings as an observer. Despite these provisions, ongoing challenges exist in relation to coordination

⁷⁷ We recognise that remuneration may not be compatible with some organisation's terms and conditions of employment.

between the groups. In particular, there are significant interdependencies in their areas of responsibility, alongside separate secretariats and an absence of reporting lines.

117. We consider that the current arrangements serve to disempower the Board and risk prioritising the interests of energy suppliers over those of energy consumers. The costs of the smart meter rollout are ultimately borne by energy consumers (through the costs of their energy use), who are expected to realise significant benefits. However, these benefits depend on consumers being sufficiently engaged to accept the offer of a smart meter and then take action to control their energy use. Whilst the Smart Energy GB Board is composed of Directors representing both the interests of energy suppliers and energy consumers, the PMF Forums are made up solely of energy suppliers. The PMF Forums review metrics and targets and agree any revisions to the PMFs on an annual basis. Consumer engagement activities undertaken by Smart Energy GB are then developed and approved by the Board, in response to targets set out in the PMFs. The Board's formal responsibility for setting the strategic direction for Smart Energy GB, considering the interests of both energy suppliers and consumers, is therefore constrained in practice by its limited influence over the PMFs.
118. **We propose to resolve these challenges by bringing responsibility for establishing and maintaining the PMF under direct Board control. To ensure appropriate consideration of both domestic and microbusiness activities, we propose requiring the PMF to clearly set out separate standards for each of these areas.** This will ensure that the PMF is informed by the strategic direction and priorities outlined by the Board, taking into account all of Smart Energy GB's objectives.
119. **To support the Board in this area, we propose introducing a requirement to establish two Advisory Groups, one with a domestic focus and the other with a microbusiness focus, which are subordinate to the Board.** These Advisory Groups will be responsible for providing information and advice to the Board on the provisions and metrics included in the PMF. In developing their recommendations for the PMF standards, we expect the Advisory Groups to undertake consultation exercises with energy suppliers and other relevant parties, taking their views into account. Responsibility for approving the PMF will sit with the Board, following consultation with the Secretary of State.
120. In addition to developing recommendations for the PMF standards, the Board may also delegate additional tasks as necessary to support their activities. The Board will be responsible for determining the appropriate membership for each Advisory Group and appointing a Chair. We expect the Board to ensure that the Advisory Groups comprise of representatives with a balance of skills and expertise appropriate for achieving the tasks delegated to it by the Board. As these Advisory Groups will represent a formal part of Smart Energy GB's governance arrangements, we also expect that Smart Energy GB will provide the secretariat function.

Consultation question

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| 2.4 | Do you agree that the Board should have responsibility for developing the Performance Management Framework (with separate domestic and microbusiness standards), supported by two Advisory Groups? |
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Budget arrangements

121. At present, Smart Energy GB's Board reviews and develops the budget on an annual basis. The budget is then recommended to energy suppliers for approval. Smart Energy GB's Articles of Association set out further details of the organisation's budget and funding arrangements.
122. In developing our proposed changes to Smart Energy GB's governance arrangements, we have sought to ensure energy suppliers retain suitable influence over the organisation, and consider that our proposals achieve an appropriate balance between recognising these responsibilities and effectively empowering the Board. To further support this balance, Government considers that it remains appropriate for energy suppliers to approve Smart Energy GB's annual budget. In addition, we **propose introducing a requirement for the Board to consult with energy suppliers on the Budget and take their views into account.**
123. Smart Energy GB is required to set an annual budget for its activities and whilst we do not propose amending this provision, we encourage the Board to consider whether it would be appropriate to develop a longer term view of the organisation's financial expectations. We welcome the work the Board is currently undertaking to set out its strategic vision from 2021-2024 and it may be appropriate, alongside this work, to consider outlining the implications of delivering this vision from a budget perspective.

Consultation question

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| 2.5 | Do you agree that energy supply licences should be amended to require the Board to consult with energy suppliers and take their views into account when developing the Annual Budget? Please provide rationale. |
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Section Three: Funding Mechanism

Introduction

124. Smart Energy GB's activities are financed by energy suppliers, with the funding mechanism set out in energy supply licences. Costs are split into capital costs (primarily campaign costs) and fixed operating costs (for example staff and office costs). For 2020, the £36.7m domestic budget consisted of £28.8m of capital costs and £7.9m of fixed operating costs. Similarly, the 2020 non-domestic budget of £1.67m consisted of £1.36m of capital costs and £0.31m of fixed operating costs.⁷⁸
125. Large domestic⁷⁹ and large non-domestic⁸⁰ energy suppliers contribute to both the capital and fixed operating costs, based on their market share. Small domestic and small non-domestic energy suppliers contribute to fixed operating costs only, with contributions also based on their market share. This funding model ensures that all suppliers contribute to the financing of Smart Energy GB with a degree of proportionality which recognises that larger energy suppliers, with a greater number of customers, are likely to derive more significant benefit from Smart Energy GB's activities.
126. In light of the significant changes that have taken place in the retail energy market since Smart Energy GB was established, we consider that it is appropriate to review funding arrangements. This view was also supported by a few consultees in response to the post-2020 consultation.⁸¹

Non-domestic funding mechanism

127. In May 2019, following consultation, Government decided to formally extend Smart Energy GB's domestic objectives to microbusinesses (with the exception of the objective to assist vulnerable consumers).⁸² In considering an appropriate funding mechanism, Government concluded that mirroring the domestic formula would be the most appropriate option. This was deemed to be fair, practical and respected the sizes of energy suppliers' non-domestic portfolios. Large non-domestic energy suppliers are therefore responsible for meeting Smart Energy GB's capital costs for a microbusiness campaign. In this context, large non-domestic energy suppliers are defined as those who supply gas, electricity or both to non-domestic premises via more than 100,000 meter points.

⁷⁸ [Smart Energy GB, Consumer Engagement Plan and Budget for 2020.](#)

⁷⁹ Large domestic energy suppliers or 'Relevant Suppliers' are those who supply either gas or electricity (or both) to more than 250,000 Energy Customers at Domestic Energy Premises.

⁸⁰ Large non-domestic energy suppliers are those who supply gas, or electricity, or both to Energy Consumers at Designated Energy Premises via more than 100,000 Energy Meter Points.

⁸¹ [Consultation on a Smart Meter Policy Framework post-2020, September 2019.](#)

⁸² [Government response on proposals to improve non-domestic consumers' awareness of smart metering, May 2019.](#)

128. In light of the recent consideration of non-domestic funding arrangements, we do not propose any amendments to the existing mechanism for allocating non-domestic costs and consider that it remains appropriate for the next phase of the rollout.

Lowering the domestic threshold for funding Smart Energy GB

129. Government is committed to ensuring that the retail energy market is fair and competitive. When designing the funding model in 2012, the potential barrier to market entry and disproportionate burdens that could result from requiring all energy suppliers to contribute to the full costs of the Central Delivery Body's activity were considered. It was deemed appropriate to set 250,000 domestic gas or electricity (or both) customer accounts as the threshold above which energy suppliers would be required to contribute to Smart Energy GB's capital costs. This approach also mirrored customer thresholds used for other Government energy efficiency schemes at the time. When Smart Energy GB was established in June 2013, six large energy suppliers, who held 98% of the domestic electricity market, were responsible for funding its capital costs.⁸³ The market share of these six large energy suppliers had fallen to 70%, as at the end of 2019, with 14 large energy suppliers contributing to Smart Energy GB's capital costs.⁸⁴
130. This increase in the number of funding members reflects a broader trend in the retail energy market which has changed considerably in recent years, with a large number of smaller energy suppliers entering the market. Some of these new entrants have acquired significant numbers of customers and offer a range of innovative services, which has contributed to greater diversity and consumer choice within the market.
131. In recognition of these changes, a number of energy related policies have recently undertaken reviews of the thresholds in place for energy supplier obligations. For example, as of 1 April 2020, the obligation thresholds for the Energy Company Obligation (ECO)⁸⁵ and Warm Home Discount (WHD)⁸⁶ were reduced from 200,000 or more domestic gas or electricity (or both) customer accounts, to 150,000. The decision to reduce these thresholds was taken to create a more level playing field for energy suppliers, whilst continuing to protect new and recent market entrants. The Government committed to monitoring the market impacts of this change and indicated that should future ECO and WHD obligations exist, they could have no or minimal thresholds.
132. In relation to smart metering, in light of the Government setting out its proposals for a new smart meter regulatory Framework, Ofgem consulted on new smart metering reporting requirements.⁸⁷ The consultation sets out Ofgem's minded to position to lower the threshold by which energy suppliers are required to submit rollout plans and report on their annual progress. This threshold is currently set at energy suppliers with more than 250,000 gas and/or electricity customer accounts. Ofgem has proposed to lower this to energy suppliers with 150,000 or more gas or electricity (or both) customer accounts. In consulting on this proposal, Ofgem noted that a threshold of 150,000 customer accounts will align reporting obligations with the updated thresholds for ECO and WHD.

⁸³ [Ofgem, Electricity supply market shares by company: Domestic GB, April 2020.](#)

⁸⁴ However recent consolidations of large energy suppliers will mean that this number will have fallen in 2020.

⁸⁵ [Government Response to Energy Company Obligation: ECO3, 2018 to 2022.](#)

⁸⁶ [Government Response to Warm Home Discount Scheme 2018 to 2019.](#)

⁸⁷ [Ofgem Statutory Consultation on the Post-2020 Smart Meter Rollout Reporting Requirements, October 2019.](#)

133. **We are therefore proposing to lower the threshold for large energy suppliers to fund Smart Energy GB’s domestic campaign activities from 250,000 to 150,000 gas or electricity (or both) domestic consumers, in order to ensure a proportionate funding model that is in line with wider retail energy market developments.**
134. In developing this proposal, we considered whether it was appropriate to remove the threshold for funding entirely and require all Smart Energy GB costs to be apportioned to energy suppliers on a market share basis. Any change to the threshold needs to balance establishing a fair and equitable system with the Government’s wider aim to support and improve competitiveness in the energy market. We consider that a threshold of 150,000 domestic customers achieves an appropriate balance, whilst providing consistency with changes to ECO and WHD participation thresholds.

Consultation question

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| 3.1 | Do you agree that energy supply licences should be amended so that the threshold for ‘Relevant Suppliers’ to fund Smart Energy GB’s domestic campaign activities is lowered to energy suppliers with 150,000 gas or electric (or both) domestic consumers? Please provide rationale. |
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Section Four: Transition and Legal Text

135. We recognise that an appropriate transition period will be necessary in order to fully implement the amendments proposed in this consultation. In particular, the new governance requirements will mean that Smart Energy GB's Articles of Association will need to be updated, and a new Board and Advisory Groups will need to be established. We are also mindful that our proposed amendments to Smart Energy GB's funding arrangements will have financial implications for energy suppliers, and that the Performance Management Framework (PMF) and the annual budget for the organisation are set on a calendar year basis.
136. We encourage energy suppliers and Smart Energy GB to move to the new arrangements as soon as possible, if adopted. In particular, we consider that steps can be taken to ensure that campaign activities are increasingly aligned with the new objectives, including supporting coordinated activity across industry. However, we recognise that implementing the new governance and funding arrangements will necessarily take more time.
137. In order to implement the proposed amendments, we propose to introduce a new standard condition into the licences (Electricity Standard Supply Licence Condition 45A and Gas Standard Supply Licence Condition 39A). This condition will replace the existing condition relating to coordinated consumer engagement. We welcome consultees' views on the draft legal text for this new condition (outlined in Annexes One and Two).
138. **To ensure a timely and efficient transition, we propose that this new condition will come into formal legal effect on 30 June 2021. In order to comply with this condition, it will be necessary for the new governance arrangements to be established by this date, including recruitment of a new Board and creation of the Advisory Groups. We consider this provides sufficient time for the new governance arrangements to be put in place. However, recognising that some flexibility may be required to account for unforeseen circumstances, we also propose retaining the ability for the Secretary of State to specify a later date (but no later than 31 December 2021).**
139. Following the new condition coming into effect, a new PMF and updated Consumer Engagement Plan will need to be developed and the next budget agreed. We propose setting the 31 December 2021 as the date by which these need to be in place, completing the transition. In line with this, we propose that the amendments to the funding mechanism will also come into effect on 31 December 2021 so that the new threshold will be applied when apportioning costs to energy suppliers for the annual budget for 2022 (and subsequent budgets). We consider that this will provide sufficient transition time, whilst also aligning with the existing budget and PMF cycles.
140. When the obligations relating to Smart Energy GB were first established in the energy supply licences, the organisation did not yet exist. The existing licence conditions therefore require large domestic energy suppliers to set up a Central Delivery Body, which led to the creation of Smart Energy GB in 2013. In the draft legal text outlined in Annexes One and Two, we are proposing to remove references to the setting up of the organisation and focus instead on its continued operation.

141. Recognising the practical challenges associated with the creation of a new organisation and in light of the requirement for large energy suppliers to fund Smart Energy GB's capital costs, the principal obligations in relation to establishing and maintaining Smart Energy GB currently fall on large domestic energy suppliers only ('Relevant Suppliers'). Our proposal to adjust the funding threshold for contributions to Smart Energy GB's domestic campaign costs would extend these obligations to all energy suppliers with more than 150,000 gas or electricity (or both) domestic customers. We consider that it is appropriate for the scope of any new obligations if adopted, to remain aligned with the domestic campaign funding threshold and welcome views from consultees in this area.

Consultation questions	
4.1	Do you agree with the proposed approach to transitioning to the new arrangements proposed in this consultation? Please provide rationale.
4.2	Do you agree that the proposed legal drafting in Annexes One and Two implements the proposals outlined in this consultation? Please provide rationale.

Next Steps

142. Stakeholders and other interested parties are invited to provide their views on the questions set out in this consultation. A summary of all questions has been included in the following section for ease of reference.
143. This consultation closes at 16:00 on 13 August 2020. Details on how to respond to this consultation have been provided in the General Information section in page 5 of this document.
144. The Government also invites stakeholders to request to meet directly with BEIS officials to discuss this consultation, particularly where stakeholders may wish to share commercial information in confidence to support their views. Please contact us via smartmetering@beis.gov.uk
145. The Government response will be published following analysis of consultation responses. In parallel to the Government response, any modifications to energy supply licences reflecting final policy conclusions on sections one, two three and four will be laid in Parliament, in accordance with section 89 of the Energy Act 2008.

Summary of Consultation Questions

Section One: Objectives	
1.1	Do you agree that objective (a) should include a specific requirement for Smart Energy GB to deliver activities that generate demand and acceptance for smart metering? Please provide rationale.
1.2	Do you agree that Smart Energy GB should no longer be required to actively build domestic consumer awareness and understanding of smart metering at a national scale? Please provide rationale.
1.3	Do you agree that objective (b) should be amended to require Smart Energy GB to continue to build awareness and understanding of smart meters amongst microbusiness consumers, including the benefits of the data derived through them? Please provide rationale.
1.4	Do you agree that objective (c) should be amended to widen Smart Energy GB's behaviour change activities beyond a central focus on energy consumption reduction? Please provide rationale.
1.5	Do you agree that objective (d) should include a requirement for Smart Energy GB to continue building awareness amongst consumers who may experience barriers to obtaining and realising the benefits of smart metering? Please provide rationale.
1.6	Do you agree that Smart Energy GB has a role to play in supporting coordinated activities and that a new objective should be introduced in energy supply licences to establish appropriate arrangements to facilitate this activity? Please provide rationale.

Section Two: Governance	
2.1	Do you agree with our proposal to reduce the size of Smart Energy GB's Board and establish a requirement that it is composed of an independent Chair, together with six Directors representing the interests of energy suppliers, four Directors representing the interests of domestic and non-domestic energy consumers and the CEO of Smart Energy GB? Please provide rationale.
2.2	Do you agree that a record of Board meetings, including attendance, should be made available to any party on request? Please provide rationale.
2.3	Do you agree that Board members should be recruited on the basis of skills and experience, with energy suppliers retaining the ability to nominate candidates, but with the final decision on appointments made by an Appointments Committee composed of the Chair, CEO and parties with relevant interests? Please provide rationale.
2.4	Do you agree that the Board should have responsibility for developing the Performance Management Framework (with separate domestic and microbusiness standards), supported by two Advisory Groups?
2.5	Do you agree that energy supply licences should be amended to require the Board to consult with energy suppliers and take their views into account when developing the Annual Budget? Please provide rationale.

Section Three: Funding Mechanism

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| 3.1 | Do you agree that energy supply licences should be amended so that the threshold for 'Relevant Suppliers' to fund Smart Energy GB's domestic campaign activities is lowered to energy suppliers with 150,000 gas or electric (or both) domestic consumers? Please provide rationale. |
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Section Four: Transition Period and Legal Text

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| 4.1 | Do you agree with the proposed approach to transitioning to the new arrangements proposed in this consultation? Please provide rationale. |
| 4.2 | Do you agree that the proposed legal drafting in Annexes One and Two implements the proposals outlined in this consultation? Please provide rationale. |

Annexes

Annex One: Proposed amendments smart metering supply licence conditions – Electricity

Annex Two: Proposed amendments smart metering supply licence conditions – Gas

This consultation is available from: www.gov.uk/government/consultations/smart-meter-coordinated-consumer-engagement

If you need a version of this document in a more accessible format, please email enquiries@beis.gov.uk. Please tell us what format you need. It will help us if you say what assistive technology you use.