

ENERGY UK RESPONSE TO DECC SMART METERING CONSUMER ENGAGEMENT CONSULTATION

1. Are these the right aims and objectives against which to evaluate the Government's consumer engagement strategy for smart metering? Please explain your views

Energy UK believes that these aims are the correct starting points from which to evaluate the consumer engagement strategy. In particular, the second aim, "delivering cost-effective energy savings" is vital, being the most fundamental part of the Government's own impact assessment. Without consumer behaviour change, the positive business case for smart metering in the UK cannot be delivered. All suppliers are therefore keen to see this aim realised in the short and long term. It is important that accountability is set appropriately for this objective, as the actual delivery of energy efficiency lies in the control of consumers. Suppliers will make information available and give advice to consumers to allow them to monitor and control their energy use, but suppliers cannot make them take action. In particular, Energy UK believes that the innovative products and services using smart metering systems which will be offered to consumers are to be one of the key drivers behind behavioural change. We know from experience of other programmes (e.g. CERT) that affecting change in certain groups of customers can be challenging.

The first aim, "building consumer support for the roll-out", will have a critical impact on Energy UK members' roll-out successes. An important concern for our members is their ability to gain access to their customers' homes to install smart meters. If customers are resistant to having smart meters fitted, suppliers' costs to complete the roll-out will rise and this will risk the positive impact assessment not being realised. While suppliers' own relationship with their customers will have a key role to play in building consumer support and improving access rates, the central consumer engagement strategy will help greatly. In consumers' eyes, Government endorsement of smart metering will be important in establishing suppliers' legitimacy during the roll-out.

The third aim, "ensuring that vulnerable and low income consumers can benefit from the roll-out" is also critical. Suppliers have considerable expertise in managing vulnerable customers and their relationship with energy, and will want to retain ownership of this, but would like to see a centralised consumer engagement strategy in a supporting role.

2. What are your views on focusing on direct feedback, indirect feedback, advice and guidance and motivational campaigns as behaviour change tools? What other levers for behaviour change should we consider? (See also Appendix 1.)

Energy UK has no view on effective tools of behaviour change, although generally agree with the points made in the consultation document. Our individual members have customer insight teams focusing on behaviour change, and we would like to see such expertise reflected in the make-up of any central delivery body (CDB).

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

We believe that "community outreach" is a very broad term and that it would be useful to split it down into component parts to define potential co-ordination activities, as the consultation document has, in the bullets below:

-
- Coordination with third party trusted intermediaries, and providing a central contact point and collateral for third parties to use
 - Engagement linked to coordinated delivery (e.g. blocks of flats)
 - Initiatives targeted at distinct community populations e.g. for low income groups in localised areas

All of these activities are worthwhile in general terms, but have concerns about mandating them as part of any central delivery body activity.

The CDB should be set objectives and be given the remit to deliver those objectives in the most cost-effective way to deliver the holistic Impact Assessment for GB plc. We cannot make the assumption that any outreach activities are the most cost effective mechanism now, but we are open to the CDB testing and considering them.

Suppliers are very likely to engage in community outreach as part of their roll-out plans to reflect their targeted activity in a supplier led roll-out.

It is very important that the CDB does not become an installation co-ordination body. There has been an economic assessment by Ofgem (when Ofgem had control of the smart metering programme) on the most appropriate roll-out mechanism and this has been concluded to be a supplier led roll-out. We believe that there may be benefits to the body engaging in outreach, but any central co-ordination activity must be considered for consequential impact on suppliers' costs.

We expand on these views in our answer to question 20, below.

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

Energy UK believes that the right evidence requirements have been identified, and is pleased to see such a range of factors being considered. Our members will also have been carrying out similar work internally, and, where possible, have welcomed the opportunity to share this in appropriate forums (such as CERG, ICG, Communications Network). Where Foundation learning is commercially sensitive, members may not be able to share it, but the outcomes of the learning will still be beneficial to the Programme as a whole, as it will improve the efficacy of suppliers' own roll-outs.

It is important to consider testing/trialling/pilot schemes for consumer engagement as part of the overall testing and trialling strategies and Energy UK will be providing input to this DECC working group.

5. What are your views about the desirability of the Programme, or other independent parties, making available information on different suppliers' installation packages and their impacts? When might this best be introduced?

Supplier roll-out plans will be subject to change as suppliers continuously improve the execution of their deployment of smart meters over the next 7 years.

While we note Digital UK's success in detailing different commercial offerings with impartiality, we caution that the roll-outs are different in key respects. Firstly, broadcasters and manufacturers involved in the digital switchover did not generally have an existing direct relationship with their customers. While some companies offering subscription services, such as Sky, would have had a direct line into customers, those customers did not generally need to take action to switchover. This left a large pool of customers needing information on digital products (Freeview vs. Sky vs. Virgin Media vs. Freesat...) with no-one neutral to give them that information. Digital UK stepped into that role, as these customers would have risked being left without service if they had not had impartial information given to them by a central body.

But in the smart meter roll-out, every customer in the UK will have an existing relationship with either one or two suppliers who can act as a first port of call. No customers will be left without gas or electricity if they decline a smart meter. They should naturally hear about smart meter installation from their supplier(s).

Energy UK therefore feels that the default should be that customers are told to expect to receive a smart meter from their current supplier(s) of gas and electricity and to be educated and made aware of what the opportunities the smart meters bring. We do not think it is appropriate to highlight different tariffs or services that might be available from different suppliers, many of which are likely to be on different commercial terms and incomparable. This would place a very large overhead on the CDB to maintain a current record of all relevant services available from all suppliers. It is not an objective of smart metering installation to switch tariffs or supplier and the

Smart Metering Installation Code of Practice has been explicitly defined by Government to not include sales (including tariff switching). To avoid confusion, the central programme should support only generic messaging about the benefits of smart metering.

6. Do you agree that a centralised engagement programme, established by suppliers with appropriate checks and balances, is the most practical solution given other constraints? If not, what other practical alternatives are there?

Energy UK agrees that a centralised engagement programme has significant merit and that this has been a key agreed principle for a number of years. We also agree that this should be delivered by a central delivery body (CDB). But we believe that the options for establishment and operation of the CDB should respect the responsibility for funding and delivery (as set out in the consultation document).

It is in society's interests to have a successful CDB. The more successful the CDB, the more cost effective the overall roll-out programme will be as we will have educated consumers to offer meters to and to take through the journey of smart engagement.

Given the importance of independence and credibility, the majority of suppliers believe that the optimum delivery model is for the Government to fund and establish an independent body. The CDB is to be a public facing organisation to represent Government policy, and there is a majority feeling that this Government driven activity should be funded and established by DECC. However, some Suppliers believe that this should be supplier funded.

If the governance and operation of the body remains independent of suppliers, as set out in the licence conditions in the consultation document, then it is not reasonable to expect suppliers to fund the body or establish it and we would expect the CDB to be mobilised and delivered as part of the DECC Smart Metering Implementation Programme.

However, if the governance and responsibility for establishment/operation of the CDB is to reside with the suppliers, then the suppliers must be key parties right through the operational governance structure of the CDB.

We do not believe that the "checks and balances" set out in the consultation document are checks and balances – they read like an exclusion from supplier involvement in governance post set-up and this is unacceptable. We discuss alternatives in our responses to questions 7, 12 and 24 below. The Licence Conditions are far too wide-reaching and if Licence Conditions are deemed necessary for a supplier funded model then they must be set at a high level describing objectives for the CDB with the CDB given freedom to deliver those objectives to a ring-fenced budget in the most cost-effective way. At this point the majority of suppliers do not believe licence conditions are necessary if a window is given to suppliers to establish the body voluntarily. However, some Suppliers believe that high level licence conditions are appropriate and necessary.

There is also an option for co-funding between Government and suppliers with shared responsibility and accountability.

7. Do you think that suppliers should be obliged through licence conditions to establish and fund a Central Delivery Body or would a voluntary approach be preferable?

There are a number of ways in which suppliers could be obliged to set up a centralised delivery body (CDB), if that is the chosen model, in the absence of a Government-funded body. These range from a supplier licence condition, to putting the obligation into the Smart Energy Code, to a purely voluntary agreement. Energy UK believes that wide-ranging, prescriptive supplier licence conditions would be a heavy handed way to place the obligation, and runs the risk of being difficult to regulate. In particular, there would be concerns about setting of KPIs and risk of unintentional breach outside the control of suppliers.

The option to add an obligation to the Smart Energy Code (SEC) is something to consider, as it would make it easier to manage through SEC change control procedures, although there is concern that timescales for delivery of SEC would mean that the regulatory instruments would be in place too late to mobilise and establish the body in time.

Many, but not all, suppliers feel that a voluntary agreement would be sufficient for now. There have been examples of voluntary agreements and self-regulation working very effectively in industry, particularly for social spend programmes. In particular, all suppliers agree that a body is needed, and that it will benefit us all. This leads many of them to believe that there may be no need to formally oblige them to set one up if there is a firm commitment from all on a voluntary basis.

At the very least, the majority of suppliers feel that there could be a window wherein they are able to set up an appropriate body voluntarily, before any formal SLC was considered necessary. This could be faster to set up, enabling a handover of activities from DECC to the CDB earlier, and could be set up with a formalised commitment from suppliers for the period of roll-out without the need for regulation. It would not need to be purely voluntary if the firm commitment of members was set out and a legal entity mobilised.

If licence conditions were deemed necessary, then we believe that these need to be very light touch setting out some clear objectives and leaving it up to the CDB to deliver those objectives in the most efficient way. We do not see the need for the detail set out in the Licence Conditions in the consultation document. We see prescription as being likely to constrain the effectiveness of the CDB and therefore costing more money and introducing risk. If governance is to be set out in licence conditions, then these arrangements need to change radically from the consultation paper.

Our message here is not to regulate now what the activities and the functions of the CDB should be, particularly any responsibility for any outreach programmes.

**8. What are your views on the proposed objectives for the Central Delivery Body?
Are there any additional objectives which should be included?**

Energy UK agrees with the proposed objectives for the CDB as they align very closely with the aims of the consumer engagement strategy discussed in question 1, above. We are pleased to see the first aim being to "promote consumer awareness and understanding of the use of smart metering to deliver behaviour change and energy saving" as we believe this is one of the most critical roles of the CDB in helping deliver the impact assessment.

But we must be wary of extending these objectives into placing responsibility for the realisation of energy efficiency on the CDB or suppliers, as taking action is ultimately in the control of consumers, as highlighted above. It is important that accountability is set appropriately for objectives

9. What are your views on the suggested activities for the Central Delivery Body?

We agree with all the suggested activities, but we do not believe they should be mandated. We think that the CDB should, subject to strict governance, scope and funding control, have some freedom to alter or add to these activities using its own expertise and an evidence based approach. In particular, these activities and the functions of the CDB should not be regulated. However we do agree that the list of suggested activities would seem like a sensible starting point for consideration by the CDB. We believe that these activities should not be mandated through any licence conditions, and the need for flexibility to adapt to potential changes in the programme in the years to come is key. A phased approach starting small and using consumer insight to direct the activities of the CDB going forward is the key to success.

With regards to the activity "engaging vulnerable and low income consumers to provide additional support in relation to the smart meter roll-out where needed", Energy UK believes it is essential for the central body to have a set of bespoke collateral to send to and support NGOs and third party intermediaries in their engagement with vulnerable customers. However, we do not see a role for the CDB in proactively approaching and providing targeted help to vulnerable customers directly. Suppliers have the relationship with vulnerable customers and have information on how to deal with vulnerable customers (and not just through the PSR). The Smart Metering Installation Code of Practice already places responsibilities on suppliers to tailor communication and guidance to vulnerable customers. This is different from the Digital UK roll-out, where neither broadcasters nor manufacturers had a relationship with the customer.

10. Do you have any views on mechanisms for monitoring progress and holding suppliers to account in delivering objectives?

Monitoring progress and holding all parties involved to account would be the role of robust governance, the structure for which we discuss in our response to question 24, below.

There are a set of reporting and monitoring requirements that will be set out and consulted on by DECC in May/June and this should cover all aspects. There should not be additional requirements set from this consultation/policy area.

11. How can we ensure sufficient effort and funding to achieve the objectives is balanced against the need to keep costs down?

If suppliers are asked to fund the body, then they will ensure value for money, as part of a robust governance structure discussed below. It would not be in suppliers' interest, if they were the funding party, for costs to exceed return on investment. We do believe, however, that sole supplier funding without any contribution from other parties runs the risk of failing to secure the support of other key stakeholders such as consumer groups.

We can learn from the Digital UK experience where budget was ring-fenced to ensure its availability. A ring-fenced budget, combined with the cost effective delivery of well-defined objectives with strong scope / change control processes should provide the necessary assurance.

12. Do you think contracting an existing organisation or setting up a new Central Delivery Body would be a workable mechanism for delivering consumer engagement? What are the advantages and disadvantages of these two options?

Energy UK believes that both options are workable mechanisms, however, Energy UK currently believes that setting up a new Central Delivery Body would be the preferable mechanism out of these two options.

We believe that use of an existing body would compromise the perceived independence of consumer engagement delivery particularly as any existing body is likely to have a commercial vested interest. We believe in the principle of the CDB being a not-for-profit organisation. We believe that a fresh and new brand and logo is important – but would point out the need to be distinct from suppliers' own marketing messages to avoid confusion. And we believe that the scope and importance of work that the Body will perform over at least six years deserves a new and dedicated body to be established. In particular, we feel a bespoke governance structure would probably need to be set up, which would be difficult to achieve from within the confines of an existing organisation.

The body will need the infrastructure and back-office systems and services to support the scope of activities set out in the consultation. The use of people, systems, processes and offices from an existing body could provide this as a warm start-up and the body that has been mentioned by Energy UK's members in particular is Digital UK. We believe that there would be value in considering the use of this organisation's resources more carefully (in parallel with considering its governance structure), but that any central body should be a new entity with its own independent brand.

13. Do you think the objectives and activities of the Central Delivery Body described here will help deliver the aims of the consumer engagement strategy (see paragraphs 4.32-4.33)? Please explain your views. Do you have any alternative suggestions?

We believe that the objectives and activities do match up with the aims effectively, as the activities and aims detailed are complementary. However, we do believe that the detailed activities should be left for a fully formed CDB to decide, informed by a robust governance structure and series of expert advisory groups.

14. How can we ensure that the Expert Panel attracts a sufficient level of expertise?

Energy UK does not believe the "Expert Panel" as set out is the optimum way of delivering expertise into the CDB. We believe that the "Expert Panel" function could best be delivered by a series of advisory groups, covering off a number of areas of expertise, in particular "Technical", "Consumer", "Communications" and "Delivery". While we believe that the CDB should be responsible for attracting expertise to these groups as appropriate, we do not see foresee any problems in attracting a sufficient level of expertise. All parties who would attend such groups would have an interest in a successful roll-out and would want to see their interests represented, so we envisage attendees at an appropriate level of seniority being willing to attend and provide input on a regular basis.

It is important not to restrict attendance in these advisory groups because of any perceived independence issues, not least because much relevant expertise lies within suppliers, who will be engaging with their customers on an individual basis around the smart meter roll-out programme.

15. Do you foresee any conflicts between this approach (particularly when structured in accordance with the information provided in the rest of this chapter) and competition law? If so, what are they and how might they be addressed?

We do not foresee any conflicts; as a trade association for the energy industry we are used to considering carefully the implications of competition law in all our activities. While we would of course take legal advice before committing or giving input into any particular structure, we do not envisage any great problems which would harm the activities, aims or objectives of the CDB.

16. Do you have any comments on how a governance framework could be designed to ensure the appropriate balance as described in paragraph 4.35?

We address this question in our answer to question 24, below.

We believe that an alternative approach with representation on the Board of the new body is better than depending on an agreement to be struck between suppliers and a new body.

17. What role should smaller suppliers have, if any, in setting up a delivery mechanism for central engagement? What should the ongoing relationship between small suppliers and the central delivery mechanism be?

There is agreement that a wide range of groups should contribute to the body's work, whether or not they contribute to the body financially. However suppliers would like clarity on the role of not just small suppliers but also various consumer groups, Government, regulatory authorities, and DNOs. It is very important that everyone has input into messaging used by the body and that this process is transparent.

There is a school of thought that in order to present a voice to the body, organisations should provide some funding. There are benefits to all stakeholders in the smart metering programme and if the body is to consider the requirements of those stakeholders, then they should contribute to the funding of the body, including small suppliers.

In particular, we believe that a crucial role for the body will be reacting to reputational risk and that might be generated by actions of individual suppliers. While the body would leave individual suppliers to answer specific questions or complaints about their roll-out, a major bad news story could have an impact on the reputation of the roll-out as a whole and the CDB would be required to respond to that. We believe this to be a key example of why any supplier installing smart meters and associating itself with any kind of national brand should contribute to the body behind it. We also believe that all suppliers associating themselves with the brand should be invited to become involved in its governance.

There is also a view from at least one of our smaller supplier members that some smaller suppliers may not derive benefit from all areas of the CDB's activities, and could therefore agree to contribute to some areas of the body (such as reactive media relations) but not others that they do not benefit from.

18. What role, if any, should network companies and communications service providers have in central engagement?

DNOs and DCC comms providers are key players, but do not have the same relationship with customers or the need to use a brand publically. However, their status as long term financial beneficiaries of the Programme leads some suppliers to believe that DNOs, in particular, should be asked to contribute to the CDB. Others feel that their role should not be to contribute financially, but rather to contribute to and provide input into high-level advisory groups, which would input directly into the CDB's board.

A bigger question is the role that DECC and Ofgem would play. If the CDB was to be licence-backed, then Ofgem would have ultimate authority over the board. We also imagine that Ofgem and DECC would sit on the board as observers or as Chair. The reporting between the board and Ofgem would therefore be two-way.

19. Do you agree that the timings for the creation of a Central Delivery Body as set out above are achievable? Please explain your views.

The regulatory regime chosen for the implementation of CDB is likely to have the biggest impact on timescales for implementation.

If licence conditions are chosen as the means to establish a CDB, then the industry is likely to have to wait for those licence conditions to be in force before it has the certainty to be able to mobilise – otherwise the risk is that a CDB would be set up that does not conform to licence conditions. We feel that it is likely that, if licence conditions are imposed on suppliers, then mobilisation of the body would be at risk of delay, meaning that there is a risk that it may not be able to deliver the crucial first set of communications towards the latter part of 2013.

20. What are your views on the need for the Central Delivery Body to establish an outreach programme?

We believe that "outreach programme" is a very broad term and that it would be useful to split it down into component parts. The consultation paper sets activities out as below and we provide our views on each of these bullets below:

- Coordination with third party trusted intermediaries – as a minimum the delivery body could provide a central contact point and collateral for third parties to use
- Engagement linked to coordinated delivery (e.g. blocks of flats)
- Initiatives targeted at distinct community populations e.g. for low income groups in localised areas

We do not believe it is appropriate to mandate co-ordination activities at this stage for the reasons set out below.

However, Energy UK is completely supportive of the first bullet and with the CDB providing a central contact point for 3rd party intermediaries and there must also be a common set of educational material available to all. It is important for some common publicity to let consumers know smart metering is coming and to put consumers 'in touch' with smart metering, at a regional and community level.

However, we need to be careful in defining a role for any central body in proactive engagement to geographic areas or demographic groups, given that suppliers will have their individual approaches to roll-out. It is important that suppliers are able to forge their own links with third-parties at a local level to allow them to deliver their individual deployment plans in an effective and cost-efficient way. It is also important that the CDB does not generate demand for smart metering before the requisite capabilities are in place.

We cannot know at this stage what will be the most effective way to deliver engaged consumers via outreach, whether this is by supplier only activity or to overlay some central co-ordination. We think that it would be dangerous to make assumptions now on such a key activity when it could have significant consequences of reputational damage for the whole programme if it went wrong.

We have considered a number of options as to how an outreach programme could be handled:

- 1) No central co-ordination – all outreach left with suppliers
- 2) CDB is notified of supplier roll-out plans, and targets its activity accordingly (e.g. geographically, demographically)
- 3) The CDB and suppliers agree a range of areas or geographies, which different suppliers can target in tandem voluntarily
- 4) The CDB and industry agree a range of demographics/consumer types, which different suppliers can target in tandem voluntarily.

We have serious concerns with Option 2. Supplier roll-out plans will be subject to change as suppliers learn the best way to execute roll-out over the next 7 years. Targeting outreach activity centrally at the beginning of the programme will be extremely inefficient when the optimum way to deploy is inevitably going to develop over time. Having the CDB dynamically refreshing supplier plans and trying to keep up with that to target communications activity would be extremely difficult. We are also concerned about the way that the CDB might use confidential supplier deployment plans and subsequently discuss and agree any targeted communications areas as this will inevitably compromise the confidentiality of supplier roll-out strategies. We do not believe that this is appropriate in a competitive supplier-led roll-out.

We feel that it would be more helpful for localised activity to be built around general awareness raising and brand building, like the rest of the body's work. Individual suppliers will then be able to generate customer pull as necessary in various geographies and demographics.

Options 3 and 4 may be more workable, but may introduce artificial constraints (and therefore costs) into supplier roll-out programmes and it may be a very difficult process to agree which geographies or demographics are targeted before work is mobilised. We think that they have merit for consideration, again subject to cost effectiveness, but that this can be done by CDB as part of its activities against objectives without it being mandated as an activity.

Overall, we would prefer to see national publicity replicated at a local level if that is seen as cost effective by the body, but we would not want to see the central body heavily involved in establishing outreach programmes around suppliers' individual roll-out plans.

We have also considered what programmes of help could be put in place by the CDB for vulnerable customer groups. The CDB should act as a central contact point for vulnerable customers themselves. Energy UK believes it is essential for the central body to have a set of bespoke collateral to send to and support NGOs and third party intermediaries in their engagement with vulnerable customers.

However, we do not see a role for the CDB in proactively approaching and providing targeted help to vulnerable customers directly. Suppliers have the relationship with vulnerable customers and have information on how to deal with vulnerable customers (and not just through the PSR). The Smart Metering Installation Code of Practice already places responsibilities on suppliers to tailor communication and guidance to vulnerable customers. This is different from the Digital UK roll-out, where neither broadcasters nor manufacturers had a relationship with the customer.

21. Should there be requirements for suppliers to share roll-out plans with the Central Delivery Body, and for the body to take them into account?

Again, supplier roll-out plans will be subject to change as suppliers continuously improve the execution of their deployment of smart meters over the next 7 years.

Our answers to questions 5 and 20, above, demonstrate some key concerns we have around the difficulties of sharing roll-out plans. Suppliers do not believe it is appropriate to have to share their detailed roll-out plans with the CDB. Overall, we believe the central delivery body should work on raising overall awareness of smart metering, not interacting in detail with individual suppliers' roll-outs.

22. Is there value in such a brand and if so, when should it start to be visible? Should suppliers or other stakeholders be able to use the brand on their own (non-central body) smart meter communications and if so, on what basis?

Energy UK believes that the body should have a recognisable brand with a recognisable logo that should be established early. The brand should contribute to the body's independence and credibility. We believe that a senior marketing expert could be appointed early as independent chair of the board, who would oversee the development of the brand and its initial promotion as a priority.

There is a difference in views on when proactive communication is started by the CDB and at what level, but the need for the early establishment of the independent logo and an appropriate level of brand activity is common.

23. Do you agree that the licence conditions as drafted in Part A effectively underpin the policy intention to require energy suppliers to form a Central Delivery Body? Please explain your views.

We do not believe that the drafted licence conditions are appropriate. If suppliers are to be obligated to establish the CDB, then the licence conditions and governance framework need to "respect[ing] suppliers' responsibility for funding and delivery" as set out in the consultation document. The currently defined framework does not do this. Suppliers are explicitly completely detached from any ongoing involvement in the CDB and this does not seem appropriate for a body that will be funded by suppliers, but more importantly, needs to reflect supplier activities and learning in its work to deliver the optimum consumer engagement programme for GB plc.

The answers to questions 6 & 7 describe our views on the appropriate governance, funding and establishment responsibilities.

Our answer to question 24 sets out our views if the governance and operation of the body remains independent of suppliers, as set out in the licence conditions in the consultation document.

24. Do the licence conditions as drafted give the Central Delivery Body sufficient separation from suppliers to achieve the policy objectives as set out above? Do you have any specific comments on the Constitution, Members and Directors, and Independence sections of the licence conditions?

We do not believe the licence conditions as drafted are appropriate and we would suggest that they are radically restructured and reduced.

We do not have any comments on the detailed drafting of the licence conditions, we are very concerned overall that they detach suppliers completely from a body that they are asked to fund and will have a licence condition to deliver. There is no supplier input to business planning and activities. Suppliers will be asked to pay for a business plan over which they have no input and could be in breach of licence conditions for activities over which they have no control. This is not consistent with the principle in the consultation document of "respect[ing] suppliers' responsibility for funding and delivery" and is not acceptable.

Energy UK believes that independence and credibility are two essential attributes for the body. Crucially it should be independent enough from the industry to be widely perceived as independent from industry. It should be supplier neutral. It must also build customer trust. We must learn from the governance model used by Digital UK as whilst there are differences in the scope of activities and the relationships with customers, the governance and constitution of that body has delivered a very successful programme of consumer engagement and no issues with perception of independence of their governance.

The suppliers have considered a range of governance options, some with very prominent supplier involvement and some where suppliers have extremely limited involvement. We believe that the funding options and the governance of the CDB are linked, as it is not reasonable to exclude a funding body from the governance of the body it is being asked to fund.

If the governance and operation of the body remains independent of suppliers, as set out in the licence conditions in the consultation document, then it is not reasonable to expect suppliers to fund the body or establish it and we would expect the CDB to be mobilised and delivered as part of the DECC Smart Metering Implementation Programme. However, even in this model, we believe that suppliers have to take an active participative role in the CDB and its governance as it is suppliers who will have the real experience of dealing with customers through their installation programmes and customer service. The CDB does not have a responsibility to proactively reach out to every energy customer in GB, as the suppliers do.

If the governance and responsibility for establishment/operation of the CDB is to reside with the suppliers, then the suppliers must be key parties right through the operational governance structure of the CDB. It is in the suppliers' interests to have a successful CDB. The more successful the CDB, the more cost effective the overall roll-out programme will be as we will have aware and educated consumers to offer meters to and to take through the journey of smart engagement. Having suppliers as an integral part of the governance of the CDB will enable a holistic view to be taken on the effectiveness of central activities and distributed activities of suppliers.

As set out elsewhere in this consultation response, we have looked at how we can embed appropriate arrangements into CDB governance, rather than the Engagement Agreement model set out in the licence conditions.

There is general agreement that, if suppliers are responsible for funding and establishing the body, then there should be an independent or Government chair and independent advisory groups open to a broad range of interests (including consumer groups, environmental groups, all suppliers, DNOs), but that suppliers must be an integral part of all levels of governance. The structure should be small and lean to start with and able to expand flexibly as the needs of the body and the programme evolve.

There is agreement that a wide range of groups should contribute to the body's work, whether or not they contribute to the body financially. However suppliers would also like clarity on the role of not just small suppliers but also various consumer groups, Government, regulatory authorities, and DNOs. It is very important that everyone has input into messaging used by the body and that this process is transparent.

We do not think that a complex regulatory/governance structure should be defined for "Experts" or Expert Panel. We think that there should be the flexibility for the Board and the CDB itself to call on expert advisory groups as they see fit to deliver their objectives. We have set out a structure where the CDB has expertise in Marketing/Communications, Programme Delivery, Technical/Industry; and Finance/Operations. We would expect there to be advisory groups to align with these functional areas as well as an essential Consumer Advisory Group.

There is much more detail to follow in the mobilisation phase on the constitution, voting etc. of any governance bodies. On business planning, we believe that there should be long term plans with indicative costs/activities, as well as short term plans. If the CDB is to be in place for the time of roll-out, then 1 year plans, 3 year plans, then a plan to end 2019 would perhaps be needed.

We have set out a straw man for governance in a supplier led model in Appendix A which has built on the successful model for Digital UK and the principles above.

**25. Do you agree with the way the objectives are drafted in the licence conditions?
Should they be more or less detailed?**

If licence conditions were deemed necessary, then we believe that the top level objectives are broadly correctly set out in the draft licence conditions, as they map on to the objectives in the consultation document, which Energy UK broadly agree with.

However, we do not believe that there should be any prescription of activities at a lower level (including customer outreach) as this would constrain what the CDB can do to deliver the optimum solution for consumer engagement for GB plc. We cannot know now what the best activities will be in the future. We must also take into account suppliers' own plans for consumer engagement –

the CDB cannot operate alone as it is suppliers who will be communicating with their customers directly to complete smart meter roll-out.

26. Do you agree that the licence conditions as drafted underpin the policy intention with regard to the expert panel? In particular, do they correctly identify the types of expertise required, and give sufficient clarity and detail on the purpose, role, independence, membership and operation of the Expert Panel? Do you agree that the Secretary of State should approve the process for appointing the Panel?

We do not think that a complex regulatory/governance structure should be defined for "Experts" or Expert Panel and we do not think that these "Experts" can be wholly independent. It is essential to have industry and supplier input to a consumer engagement programme where suppliers are the responsible party for interacting with consumers and installing smart meters.

We think that there should be the flexibility for the Board and the CDB itself to call on expert advisory groups as they see fit to deliver their objectives and we have set this out in our supplier led governance straw man in Appendix A.

We would not expect to see appointments made by the Secretary of State except in very exceptional cases.

A more flexible regulatory structure in this area, for instance, may allow the functions of the 'expert panel' to be integrated into the board governance, to avoid duplication and additional costs, if that was deemed appropriate. Expert advice could then be called on by CDB staff via a series of 'Working Groups' with appropriate expert involvement. Our message here is not to over-regulate; leave the CDB board to decide where external expertise is required, at what level and at what time.

27. Do the licence conditions effectively underpin the policy intention of the functions of the CDB? Are there any additional functions that you think should be included in the legal drafting? Please explain your views.

Our message here is not to regulate now what the activities and the functions of the CDB should be, particularly any responsibility for any outreach programmes.

The focus should be on concentrating on getting the right objectives for education and awareness, which we are pleased to see has been started in the consultation document. It should be down to the CDB to decide the best mechanisms to deliver these objectives, taking a holistic view of roll-out.

If Licence Conditions are deemed to be necessary, then they should be light touch, setting out the requirement to establish the body, the objectives of the CDB and the ring-fencing of budget. There may be some high level corporate governance objectives (e.g. to appoint an independent chair, to include National Consumer Council representation, to have funding and non-funding supplier representation).

28. Do you agree with the form and content of the Engagement Agreement as drafted in the Licence Conditions? Please explain your views.

We do not believe the engagement agreement is the optimum governance solution. The model set out with an Engagement Agreement is unnecessarily complicated and places great onus on a commercial agreement between suppliers and a new CDB over which little is set out and over which little control may be exerted. The way this is set out is different from any other arrangements set out in industry.

In the option where the CDB is supplier funded and established, we propose an alternative model where the CDB is established with the appropriate corporate governance to deliver its objectives and supplier accountability without the need for the agreement. If a new, not-for-profit organisation needs to be established for the CDB, then we believe that appropriate shareholding,

representation and independence should be established as part of that CDB. This is the governance model that has been seen to work in the Digital UK model.

29. Do you agree that the licence conditions as drafted effectively underpin the other duties of suppliers in relation to the Central Delivery Body? Are there any other duties that should be included? Please explain your views.

If Licence Conditions are necessary, then duties should be high level to allocate funding, ring-fence budget, establish the body, assist and co-operate and participate in its governance. Energy UK does not believe that any further duties should be included.

30. Do you have any other comments on the licence conditions which have not been covered by the previous questions? Are there any intended consequences we can anticipate?

We believe that all of our comments are covered above

31. Do you think there are any consequential changes to existing licence conditions or codes which are needed in order to make the proposed obligations work as intended? Please explain your views.

No

32. What are your views on the state of the energy services market for non-domestic consumers and its future development?

Energy UK has no view on the state of the energy services market for non-domestic consumers.

33. Do you agree that information on current smart and advanced metering would be useful to non-domestic customers in the short term? Is there other information that could usefully be provided at the same time?

Energy UK does not have a view on this question, although we do believe that micro-businesses should be included in the scope of the CDB.

34. Should the central delivery arrangements proposed in Chapter 4 extend to micro-businesses? What are your views on any centralised activities focussing on micro-businesses alone?

We tend to agree that engaging micro-businesses should be within the body's remit, subject to ongoing discussions about how this is achieved.

35. What changes might be required to the licence conditions at Appendix 2 to address the needs of the non-domestic sector?

Consider the inclusion of micro-businesses customers.

36. What are your views on whether the Government should, in due course, alter energy efficiency incentives in the light of new opportunities arising from smart metering? How might any such incentives operate?

We do not believe that there is the need to alter any other energy efficiency incentives. This policy is focused on smart metering alone.

CDB governance straw-man for Supplier Option



