



DECC Consultation on the consumer engagement strategy
supporting the smart meter rollout

British Gas response
31st May 2012

Executive Summary

1. The Smart Metering rollout provides a unique opportunity to change the relationship between customers and their energy supplier and also to act as a catalyst for customers to adopt a new, more informed approach to energy consumption. British Gas is wholly committed to both objectives but we recognise the additional contribution that can be made by hearing consistent messages from a range of sources.
2. The industry needs customers to be more engaged and to make informed choices about who should supply their energy and how they use it. The Retail Market Review is predicated on similar objectives. The smart metering installation experience, and the leap forward in accessible information the technology provides, can bring those objectives to life. We are convinced that a central body has a key role to play in introducing uninformed energy users to the benefits of smart metering, in addressing messages from sceptics and detractors and in influencing longer term attitudes and patterns of behaviour.
3. Using customer engagement to deliver a shift in cultural attitudes is ambitious. Its success or failure will be assessed over many years. There is, however, a more pressing need: without some positive publicity for smart metering, from sources other than British Gas, there is a risk that the Programme surrenders to the agenda set by a small minority of publicity-seeking detractors. Were there no publicity, the challenge would be to fill the vacuum that represents most customers' understanding of smart metering. That alone is essential, to clear the path for suppliers and increase public receptiveness towards smart metering. Naturally, as the most active supplier in smart installations, British Gas regards this as a pressing need.
4. For a sizeable minority of customers, however, we have something worse than a vacuum: a sense of unease and discomfort fuelled by sceptical or hostile media coverage. There is an urgent need for diverse and authoritative sources to address the negative and scare-mongering arguments being promoted by highly vocal minority interests. These seek to create a groundswell of opinion against the deployment with the ultimate ambition of derailing and or /delaying the Programme. The need for a central body is clear but we cannot wait until it is in place before taking action to progress its objectives.

5. In the short-term, we need DECC to deliver reactive and proactive PR messages and to monitor and use social media where appropriate. At British Gas we are doing all we can to improve consumer trust in energy suppliers but we recognise there is much more to be done. It would be detrimental to the interests of consumers if the negative perception of suppliers in the media impacted on our ability to access customers' homes in order to install smart meters. A central body that is not explicitly linked to, led by, or funded by suppliers would be helpful in this respect. British Gas has had some success with upbeat messages on energy saving and the benefits of smart metering through the "Britmums" social network. This had an estimated reach (i.e. opportunities to view) of around a million people. However, we cannot be a lone voice and need other parties to be undertaking initiatives of this type in support of the Programme.
6. We agree with the stated aims for the central body. The greatest priority is to get to first base: we must engage customers in order to gain access to their homes. They have not asked for this visit. It is an imposition, an inconvenience, a disruption which they will most likely see as being in the supplier's interests more than their own. We need their willing co-operation to deliver rollout and maximise efficiency. Difficulties in making appointments and gaining access are major cost drivers for suppliers and, therefore, consumers. We need an education programme to open more doors, reducing overall costs to consumers and allowing suppliers to install the metering systems that will deliver the information and benefits for customers.
7. The longer-term objective of reducing energy consumption is a very different message, to be delivered through multiple channels and one for which the contribution of the central body will prove almost impossible to measure. We must engage customers to help them understand how to use energy more efficiently, but this is executed most effectively through information that is personal and relevant to the individual, rather than generic campaigns. Energy suppliers and energy services providers are best placed to deliver this, within the context of supportive, centrally-delivered campaigns.
8. We agree that the central body must be seen as independent of suppliers to be a credible voice. We do not agree that this means there should be no supplier involvement in its governance, however. A key lesson from Digital UK is that the role should be to tell customers what they need to know, not who you are. We have some concerns that the constitution of the expert panel in particular may be unnecessarily restrictive. It should

allow more flexibility and should not preclude the involvement of suppliers.

9. If the central body is not seen as independent of suppliers the whole initiative could become an expensive and damaging waste of time: given the predominantly sceptical media attitude to energy suppliers it would not require much creativity for the central body to be portrayed and discredited as the mouthpiece of a cosy cartel they always thought existed. It is to close off this risk that our preference is for funding to come from Government rather than suppliers, though we recognise the dilemma faced by DECC here. Ultimately someone must pay, and our preference would be that it was not suppliers given the potential negative perceptions of its independence that this could drive.
10. Crucially, the scope must be tightly managed. The body must have the capability to respond with agility to emerging issues, but must avoid significant scope creep and escalating costs.
11. If suppliers end up contributing to the funding of the central body it must be done on an equitable basis with incentives to drive the required outcomes. The approach that we believe will deliver this most effectively is for costs to be allocated on the basis of market share of non-SMETS meters (rather than general market share). This will ensure that any suppliers dragging their feet in the latter stages of the Programme will pick up the lion's share of the central body engagement costs. If suppliers are nearing completion of their rollout by 2018, or have installed millions of compliant meters before the central body is in place, it would be iniquitous for them to pay most and benefit least from the improved access rates the central body could drive. Those that have already rolled out smart meters and stand to benefit little should not be penalised.
12. We welcome the analysis that has been undertaken by the Central Office for Information which provides some useful insights into the levers for driving behavioural change.
13. We disagree with the generalisation that delivery of energy savings to customers is against suppliers' commercial interests. British Gas has invested heavily in training our installers in energy efficiency and expects this to be used to benefit customers. We want all our domestic customers to use information, advice and energy efficiency products to use less energy. Our commercial future is founded on energy services, not simply

commodity sales, a strategy publicised widely in 2010¹. We want all our non-domestic customers to stay in business and to be able to pay their bills. These are strong motivators.

14. We believe that there is opportunity for the central body to be established by suppliers in 2013 on a voluntary basis. As described above, we recognise that its effectiveness could be diminished by any perception that it is funded and operated by suppliers, but under appropriate governance, with consumer representation, do not see this as insurmountable. With the strong brand established by Digital UK, there was little interest in or awareness of who they are.
15. We recognise the value of the proposed outreach programme for specific customer groups but think that its potential may be somewhat overstated. It is another tool, no more. We would like to be very clear that a fully co-ordinated geographic rollout is not a feasible option. This is because it would stymie customer choice and increase costs. Those who call for such a geographic rollout fail to understand that customer demand and the need to replace standard meters as they reach the end of their natural life mean that, every year, around three million meters that are randomly distributed around the UK must be routinely replaced. Government has consulted on this previously, deciding that suppliers should be free to decide where and when they deploy smart meters, within the confines of the mandated rollout timescales themselves.
16. For non-domestic customers we believe the value of generic engagement activities is more limited and only relevant in the short term. Business customers are generally well-informed over their options for energy supply and energy services and are used to commercial choices and cost management. They are also all domestic customers in private so will already have access to information on the impacts and benefits of smart metering. All customers are more engaged by information that is personal and relevant to them and we believe this is especially true in the business market where sector needs can be quite specific. For these reasons we think business customer engagement is more effectively delivered by suppliers than through a central body.

¹ Sam Laidlaw [Speech to Royal Society September 2010.pdf](#)

Question 1. Are these the right aims and objectives (paragraphs 2.12 – 2.13) against which to evaluate the Government’s consumer engagement strategy for smart metering? Please explain your views

- 1.1. Yes, British Gas is satisfied that these are appropriate aims and objectives for the Programme. The aims are wholly consistent with our own, but we would add a commercial one, which is to change the customer relationship through building trust. Our customers can save money on their energy bills, while maintaining or even improving the levels of comfort and convenience that responsible use of energy provides. Our aim is to be seen as a trusted advisor on how customers can achieve that.
 - 1.2. We do not agree with the observation that ‘encouraging households to use less energy does not align with suppliers’ commercial interests’ or that ‘suppliers have little incentive to promote energy saving services to many of their customers’. We want to retain customers by providing affordable energy, competitive and innovative products and services, helpful advice, and outstanding customer service. We expect our competitors to set similar ambition. British Gas is the UK’s leading supplier of energy efficiency products and services and we see that as a vital component of our commercial future. An engaged customer is more likely to invest in energy saving products and, for many, smart metering will be the start of a new approach to managing energy costs. The competitive market will deliver outcomes that support Government’s aims for smart metering. We lose if domestic customers leave or build unmanageable energy debts. We want our non-domestic customers to stay in business. We can help them do that.
-

Question 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).

- 2.1. The work from the COI summarised in Appendix 1 is a useful analysis of the factors to consider in designing an engagement strategy that will be relevant for all customer types: an ambitious, perhaps unrealistic, ambition but an appropriate one nonetheless.

- 2.2. British Gas has invested heavily in training our installers to live up to their title of Smart Energy Expert. Engaging appropriately with customers and giving great service are our highest priority after safety. We have seen tangible benefits through our post-installation Net Promoter Score of +67, way ahead of industry norms.
- 2.3. From our deployment activities in Foundation we are continuing to test the approaches that work most effectively and will shortly be trialling our personalised energy efficiency advice (PEEA), which would fall under the description of indirect feedback. We hope for positive outcomes from this trial, which we have described to DECC representatives, and we will be happy to share the results in due course. The key benefit of this tool is its ability to refresh the customer's engagement after the IHD has ceased to provide new insights into the relationships between behaviour and cost. Consumer behaviour cannot be expected continually to change, but PEEA should provide a critical new impetus to that change becoming normalised. Whilst we regard the IHD as a powerful and essential engagement tool today, we would not be surprised to see customer attitudes mature, once smart metering is widely understood, to favour more information being provided through an on-line 'virtual' IHD.
- 2.4. A national awareness campaign should provide a helpful context but the PEEA trial is expected to show that the real engagement begins when the supplier makes information personal and relevant. This is also true for business customers. British Gas has developed 'Business Energy Insight'TM, an online service that uses the data from a non-domestic customer's smart meter to present their electricity in a helpful and informative way. It provides energy saving recommendations based on business premises, energy usage and commercial needs. The service allows customers to download reports that show quarterly comparisons, so they can see peaks, trends and irregularities which will help identify where to save energy. It has been very positively received by customers who recognise its value in helping them to manage their energy costs and many of whom have invested in further energy saving measures.
- 2.5. We agree, therefore, that a range of tools are required to deliver the aims and objectives for customer engagement and that these will need to be phased over time for maximum impact. We are at the early stages, where direct feedback, indirect feedback, advice and guidance are the key tools. Motivational campaigns are less

easily targeted, less personal and generally less engaging in our view but they have a key role in raising awareness and ‘energy literacy’ that should provide a more fertile environment for the other initiatives. We welcome the inclusion of social networks within this topic. Further work is needed on its effectiveness for engagement, but we have seen early evidence of its potential for disengagement and negative campaigning.

- 2.6. British Gas has had some success with upbeat messages on energy saving and the benefits of smart metering through the “Britmums” social network. This had an estimated reach (i.e. opportunities to view) of around a million people. However, we cannot be a lone voice and need other parties to be undertaking initiatives of this type in support of the Programme.

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

- 3.1. British Gas is persuaded that trusted third parties can be a powerful voice in influencing public opinion so, conceptually, we are open to the role that community outreach can perform to help the Programme achieve its aims. We think it is important that the term ‘community’ is taken in its broadest terms and not simply as a descriptor for people residing in the same locality. We see enormous value in working with certain charities in particular to ensure that our communications are relevant and engaging to their constituents or interest groups. An example might be the RNIB, or communities where English is a second language. Our challenge is to identify which are the communities to which consumers feel some sense of allegiance or belonging.
- 3.2. The strength of community in the geographic context is unproven as an engagement tool for energy saving. It is not generally perceived as a topic in which individuals profit from the behaviour of their neighbours, though British Gas enjoyed considerable success with its Green Streets campaign, where small communities were encouraged to compete with other streets for energy saving investments by British Gas. We believe it was the element of competition and communal reward that drove the engagement for this project but it did illustrate that, with the right group

incentives, individual behaviours can be influenced.

- 3.3. The approach to roll-out was much debated and the Government, quite rightly, concluded that the supplier-led model was the one which would
- a. deliver the engagement benefits (since there is already a customer relationship) and
 - b. benefit from the natural incentives to achieve the roll out in the most efficient manner and at the lowest cost.

Suppliers' experience is that travel between jobs must be minimised, of course, but that the higher priority is a full day of appointments. The smart meter installation is not something that customers have requested and for most it is primarily an inconvenience. If it has to be done, they are only interested in agreeing a time and date that is convenient to them. The arrangements that their neighbours make are of no interest whatever. This should be borne in mind when community outreach is championed as a panacea for engagement and work planning efficiency. It is neither of these but it may have a very worthwhile contribution to make in raising awareness, opening doors, and generating interest. That being the case, all suppliers should support it, but we need to trial different messages and techniques to establish what works and what does not.

- 3.4. British Gas has been running trials with the National Housing Federation. These were of limited scale owing to the current technical constraints relating to difficult installations and a scalable pre-payment solution. Housing Associations conducted awareness and engagement campaigns to identify customers wishing to opt-in for smart meters. Unsurprisingly, since the customers raised their hands, this route delivered increased access rates and appointments kept.
- 3.5. We are aware of interest from some quarters in the concept of a 'smart town', a co-ordinated deployment and engagement activity involving multiple agencies and all suppliers. British Gas can see merit in stimulating interest and raising awareness in this way, particularly if it leads to improved access rates and customer engagement, as is hoped. It should be noted, however, that there are risks in delivering a poor experience for some customers if this is progressed before all suppliers and the

relevant network operator are fully resourced for mass rollout and there are established technical solutions available for 'difficult buildings'. Selection of an appropriate location could prove controversial since suppliers have significant variances in customer density in specific locations.

- 3.6. We would like to be very clear that a fully co-ordinated geographic rollout is not a feasible option. This is because it would stymie customer choice and increase costs. Those who call for such a geographic rollout fail to understand that customer demand and the need to replace standard meters as they reach the end of their natural life mean that, every year, around three million meters that are randomly distributed around the UK must be routinely replaced. Government has consulted on this previously, deciding that suppliers should be free to decide where and when they deploy smart meters, within the confines of the mandated rollout timescales themselves.
- 3.7. Under a strict regional rollout, any customer not in our current rollout location of choice who wanted a smart meter would not get one until a predetermined point in time that could be as late as 2019. This would suppress customer demand and customer advocacy.
- 3.8. Last, but not least, a pure area-by-area regional roll-out would require a work-force that is prepared to travel the breadth of the nation, or it be recruited and trained in huge numbers and then laid off after a short period of time. This is wholly impractical and very expensive.

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

- 4.1. Yes, we think that the right evidence requirements have been identified and we confirm our willingness to share with DECC the relevant learning points from our own trials and general experience during Foundation.
- 4.2. We do not believe any additional evidence or approaches to trialling are required though, to date, our understanding of pre-payment is drawn from a very small trial.

We expect to build on this in 2013 and will plan further analysis of other customer segments, including vulnerable.

Question 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?

- 5.1. The roll out of smart metering is an operational challenge for suppliers but also an opportunity to differentiation and innovation as we each seek competitive advantage. A great deal of generic information is being shared between parties, through participation in industry work groups, and this is one of the objectives of Foundation.
- 5.2. Suppliers have invested widely varying levels of resources into Foundation. None have committed more heavily than British Gas and whilst we are prepared to share many of the lessons learned with DECC we have made significant investment (both in terms of time and money). Reaching our current view of what constitutes best practice has not been easy or painless and we would not wish to share more detailed information due to commercial and confidentiality drivers.
- 5.3. As others gear up for mass roll-out we agree that it would be beneficial to share information on how best to promote the benefits of smart to all customers. We would be less willing to share our views on what constitutes the leading practice for the installation process, messaging, service etc. since these have taken us years to develop. It is innovation and competition that will deliver the highest levels of customer service and engagement so it is important that market forces are allowed to deliver these outcomes. British Gas has shown its willingness to share non-commercial learning points in many forums and will continue to do so.
-

Question 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?

- 6.1. We agree that a central body is required to drive positive messages about the benefits of smart metering, to handle negative positions and media coverage and to

develop an umbrella brand that can be used by stakeholders to support the Programme. It is important that its objectives are clear and preferably set by DECC. Whilst there is reasonably good alignment on the benefits of a central body for communications and engagement, there are some significant differences in suppliers' roll-out strategies.

- 6.2. We think it is important that the central body is viewed as independent of suppliers, even if it is funded by them, to avoid it being portrayed simply as the mouthpiece of Energy UK. Our preference, however, would be for the body to be funded from Government; this would place a clear separation between suppliers and the central body.
- 6.3. We agree that this body would fit poorly with the DCC which has a very different purpose and set of competencies. It serves the whole industry but we see this as an adequate rationale for linking these two operations. We do not dismiss the use of third parties, provided they have the appropriate level of independence, expertise and credibility.

Question 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?

- 7.1. The ideal outcome would be for suppliers to agree voluntarily to establish the central body and for this to be operational early in 2013. The differing strategies of suppliers make this a challenging aspiration but not an impossible one. The central body could be formed as a new company with associated corporate governance and a binding commitment between suppliers through, for example, a Memorandum of Understanding or similar.
- 7.2. An obligation through Licence Conditions is a reasonable alternative, but remains our second choice. There is an advantage in perceived independence if suppliers have no discretion over whether it exists or whether they pay for it (although our preference if regulated is for separation from funding responsibility also). However, a lesson from Digital UK is that the role should be to tell customers what they need to know, not who you are, so this risk may be manageable through appropriate

branding.

- 7.3. The disadvantage of the regulated approach is that it will take longer to be operational. We welcome the recent indications from DECC that they are alert to the need to influence the media agenda and to provide some balance to the negative stories that are largely unanswered, other than by suppliers.
- 7.4. The draft licence conditions propose that funding arrangements are based on market share, placing the greatest financial burden on British Gas. We agree that we have the largest number of customers who are likely to benefit from the work of the engagement programme, but believe we have also done more than any other supplier to promote the benefits smart metering and to drive customer engagement. By the time any central body is operational, many of our customers will already be enjoying the benefits of smart metering. We propose, therefore, that the costs should be based on the market share of non-SMETS meters. In practice, this will make little difference to the costs borne by British Gas but it provides the right incentives for suppliers to make progress with roll-out and it reflects the fact that the prime target audience for the engagement programme will be those customers who do not have smart metering and/or have been resistant to their installation.

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

- 8.1. We agree with the objectives proposed and have no additional suggestions for inclusion.

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

- 9.1. We believe that the activities described are appropriate to the central body. We agree that the prime responsibility for engagement, for all customers, sits with suppliers. Therefore we agree that the additional support in engaging vulnerable and low income consumers should be 'where needed'. Suppliers should aspire to avoiding any requirement, rather than abdicating responsibility here and becoming

reliant on the central body. That said, we do expect the central body to have a valuable role to play in this area.

- 9.2. The use of trusted third parties is rightly positioned as an activity and not an objective. We see this intervention as helpful for some customers but not all. In working with third parties such as Local Authorities, we can envisage the central body becoming a focal point for queries and campaigns. Suppliers will need to facilitate any such development by establishing unambiguous communication channels that the central body can publicise and third parties are able to access.
-

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

- 10.1. It is important that the work of the central body is measured against its aims and objectives and that the efficacy of different interventions is assessed regularly and particularly prior to any significant expenditure commitments. It is suppliers who will hold that body to account rather than the reverse that is implied by this question. Suppliers have the role of shareholders here: they are investing in the central body and expect a return on that investment through improved access rates, customer 'pull' for smart metering, a balanced media environment and an appetite for reduced energy consumption.
- 10.2. The delivery of the benefits within the IA is a Programme responsibility facilitated by the congruence of those benefits with those of suppliers and network operators. These are subject to a separate monitoring regime for which we expect a further consultation around the date of submission for this response. We believe that this question is misplaced and premature. In the event that the reporting exposes a deviation from the expectations in the IA, then a policy intervention by Government may be appropriate.
- 10.3. The contribution made by the central body will be a difficult one to measure since it is another voice in a noisy environment. It is interesting to note that Digital UK measured success against six targets, five of which were related to different aspects of public awareness (of Digital UK, their logo, etc.) and one concerning 'Understanding what to do'. The central body will be broadly similar in our view in

that it will be difficult to hold it accountable for much more than awareness and perception, and even those metrics will be coloured by activities undertaken by other agencies and stakeholders.

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

- 11.1. This will be dependent on the setting of clear objectives, the implementation of appropriate governance arrangements and the establishment of appropriate incentives.
- 11.2. The case for an engagement programme has been made and suppliers are persuaded that this is in their interests. The more successful the central body, the better-informed and engaged consumers will be ultimately contributing to the more cost effectiveness of the Programme. To be effective and trusted it must be seen as separate from the supplier community: suppliers could pay for it, should advise it, but they should not run it. The objectives for which the central body (or its governing board) is responsible for delivering should include value, measured through criteria established in advance. One model could be to create a very small Governing Body through which services are procured commercially, with termination options if the value criteria are not met.
- 11.3. As outlined in our response to Question 7, funding should be based on suppliers' volumes of non-SMETS meters to provide additional incentives to progress with smart deployment.
-

Question 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?

- 12.1. We would support either of these approaches as at present we have no basis on which to determine which would be more effective. A critical point would be to understand the credibility, expertise and standing of any existing organisation that is a candidate for this role. Although we are attracted by the potential compression of

lead times and lower set-up costs that use of an existing organisation may bring, it is more important that it is fit for purpose than early.

Question 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?

- 13.1. We are satisfied that the objectives and activities of the central body are appropriate and that they support delivery of two of the aims of the consumer engagement strategy. Building support, building confidence in the benefits, providing reassurance on areas of concern, promoting the availability benefits to all customer segments: these are exactly the things for which a central body should be responsible.
- 13.2. The third, 'delivering cost-effective energy savings by helping all consumers to use smart metering to better manage their energy consumption and expenditure' is not the prime role of the central body: that should stay with suppliers. There is a point to be made here in the naming of the central body. For the consultation it is referred to as the Central Delivery Body which we consider to be misleading and an exaggeration of its role. It does not handle delivery; that role is with suppliers.
-

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

- 14.1. We expect the central body to be appointed and staffed on the basis of its expertise in and understanding of engagement techniques and media relations.
- 14.2. We see the Expert Panel as being drawn largely from professionals and subject matter experts. That should include suppliers with the role of providing industry knowledge and priorities for the engagement plan. Suppliers could provide insight into operational issues requiring intervention and feedback on those areas where actions by the central body are proving effective.

- 14.3. We see some merit in the Expert panel including, or having access to, an expert in the alleged health risks of smart metering. This is a field in which opinions are firmly held and often passionately expressed. It is important that any input is based on the science rather than a lobby position. Support from the Chief Scientific Advisor or an organisation such as the Health Protection Agency may be suitable.
-

Question 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 these and how might they be addressed?

- 15.1. We see no inherent conflict with competition law. Any body that is set up must have suitable guidelines and structures in place (approved by DECC) to ensure compliance with competition law. It is important that the central body sticks to its objectives, which will be supplier-agnostic, and that all participants with commercial interests understand their compliance obligations.
- 15.2. During the countless discussions on Foundation there have been broadly two branches of opinion in the supplier community – loosely summarised as optimists and pessimists – but with no collusion or anti-competitive behaviour at any point. Suppliers have different strategies for roll-out and have varying levels of capability in different areas of the country. It would be sensible for the central body to avoid any intervention in roll-out planning since, in the early stages in particular, this is likely to be controversial and to benefit one or more suppliers over the others. Whilst it is highly unlikely to contravene competition law the possibility is easily avoided by confining the scope to engagement only and not deployment. For this reason it is recommended that the central body keeps away from detailed rollout plans.
-

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

- 16.1. We agree with the approach outlined in the consultation. The prerequisites to success will include some simple basic principles:
- Clear objectives with no opportunity for scope creep
 - Success criteria

- A work plan to deliver the objectives
- A budget and a financial tracking model
- A score card to monitor effectiveness
- A war room capable of monitoring development and taking decisions
- Freedom to act
- A learning culture
- Accountability
- Balanced stakeholder representation

16.2. The governance arrangements must ensure that the central body is independent and not beholden to a single group of stakeholders. It should take advice from suppliers (large and small), Government, Consumer Groups, technical experts, communications practitioners, etc. A wide range of groups and interests should contribute the central body's work even if they do not contribute to it financially.

16.3. If funded by suppliers, we envisage suppliers acting as shareholders and suggest that, as part of the annual reporting process, the central body should be accountable to the supplier community for its performance and value.

Question 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?

17.1. Any obligation on smaller suppliers to establish or fund a central body would have a negligible effect on the contributions required from the larger suppliers but, in our view, would encourage them to be involved in shaping its work and more demanding of its contribution. It is the principle that matters, not the amount, and we feel that direct involvement would benefit all parties.

17.2. The point about negative media is well made but it should be possible to obtain a response from any implicated organisation without the need for regulation.

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

- 18.1. We see a limited role for network companies and CSPs in central engagement. Whilst we should expect there to be some contact between end customers and networks during the roll-out this will apply in only a minority of cases.
- 18.2. However, as with smaller suppliers, a handful of 'problems' can support a negative media story so we should not assume that there is no role. Where there is a job to be done, the principles about delivering great service and keeping promises apply equally to network companies as they do to suppliers. It will be important therefore for the central body to have clear and agreed escalation routes for query and crisis management. As a general rule we expect individual cases to be handled by suppliers
- 18.3. Similarly, we see little role for CSPs in customer engagement. The service provider should remain invisible to customers and any issues should be picked up and addressed through suppliers. In the event of a major outage however, or persistent unreliability, the central body will need somewhere from which to obtain information. The risks of reputational damage will provide sufficient incentives for arrangements to be put in place without regulation.

Question 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.

- 19.1. We regard the timetable outlined as cautious but realistic. In our view, a regulated central body could be operational before the end of 2013 and we think that is a reasonable ambition to set. The longer the time that is allowed, the greater the need for DECC and / or suppliers to fill the void between then and now. It is important that the programme does not surrender control of the media agenda to a hostile press so we encourage Government to inject urgency and purpose into the plans for establishing the central body.
- 19.2. We note and support the initiatives DECC is planning to address the current shortage of positive media messages on smart metering.

- 19.3. We can expect some suppliers, less active in smart metering today, to argue that there is no need over urgency and to seek defer any financial commitment for as long as possible. This would be short-sighted in our view as it is in everyone's interests to establish a fertile and receptive environment for roll-out. To that end it is important to avoid any slippage beyond the timescales mooted in the consultation.
-

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

- 20.1. Please see our response to Question 3
- 20.2. We see benefit in the central body acting as a contact point for third party trusted intermediaries and a source of reliable, supplier-agnostic educational material. This will improve the quality and consistency of messages and raise awareness that smart metering is coming.
- 20.3. We see some potential for the central body to provide a channel through which deployment and engagement for high rise blocks could be co-ordinated. There is a clear requirement for this and whilst the industry could develop a process to cover it, it has not yet done so. The case for specific community-based engagement actions is perhaps strongest for premises of this type.
- 20.4. Most suppliers anticipate a long 'tail' in the roll out where there is a rump of hard-to-access premises. These will be widely dispersed but experience suggests that there may also be local clusters of virtually impenetrable properties. There is no easy solution to these – suppliers have struggled for years with many of them – but there may be a role for the central body in developing innovative channels and techniques to stimulate a positive response. Outreach activities may play a part in this.
-

Question 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?

- 21.1. The central body has a clear and valid interest in the macro-level plans, perhaps even at DNO-area level, but we see no requirement for a greater level of detail

than this. The reality is that the 2019 completion date will require all suppliers to be deploying at full capacity on a national basis. Certainly the central body should take the numbers into account, but it should also consider written submissions outlining strategic approaches. For example, one supplier may decide to defer all pre-payment replacements until 2015, or to charge for weekend appointments. Information on policy may be more valuable than numbers.

- 21.2. As described in our previous answer, the exception to this could be high-rise flats where there is a clear case for co-ordinated deployment / engagement. Where such properties are known about or encountered, the first supplier could signal the site as a candidate for co-ordination and the central body could propose a combined initiative, perhaps two months later. The disadvantage of such an approach is that the industry must move at the pace of the slowest and events (e.g. meter failures, debt) may force suppliers to adopt an ad hoc approach.

Question 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?

- 22.1. We see the establishment of a recognisable brand as one of the key reasons for establishing a central body. Suppliers have been the targets for some venomous media coverage and a campaign that contextualises our communications and actions has the potential to dilute suspicion over our motives for replacing customers' meters. At present we have to invest a considerable amount of time in most appointment calls simply explaining to customers what a smart meter is. We need a supplier-neutral engagement programme to educate consumers and highlight the benefits. In our view, that can be delivered most effectively and memorably through a recognisable brand and logo, with Digital UK providing a good example of how to succeed with this approach.
- 22.2. Our views on the time from which the brand should be visible are no different from those we gave in our answer to Question 19. We would like to see the central body established in 2013 and the creation of a brand will be a priority task.

- 22.3. We think there are some risks in allowing suppliers to use the central body logo on their own materials. The whole point of having a separate brand is to present independent advice to customers that is quite distinct (but complementary to) suppliers' own materials.
-

Question 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.

- 23.1. Yes, we agree that the licence conditions in Part A underpin the policy intention. Our preference, however, is for the central body to be established voluntarily in shorter timescale, with broader representation. Please see our responses to Questions 7 and 16 for more detail on the reasons for this.
- 23.2. As explained in our response to Question 13, we do not agree with the name 'Central Delivery Body' and would prefer 'Central Engagement Body', 'Programme Engagement Group' or similar.
-

Question 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?

- 24.1. Yes, under the licence conditions as drafted we think that the central body would be more than enough separation from suppliers. We think that it is critical to its success that the central body is not perceived as the mouthpiece of the energy industry, so support the intent of the draft conditions in clearly establishing its independence from suppliers.
- 24.2. We do not agree that total separation is necessary, however, and believe this would work against the best interests of the delivery body. As one half of the customer relationship we think it would be perverse to sever all links to the supplier community other than the funding and see an important role for suppliers in the Expert Panel, and potentially on the Board also. It is unnecessary to preclude that option.

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

- 25.1. We believe that the objectives as drafted cover the aims for the central body and are pitched at the appropriate level.
-

Question 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?

- 26.1. No, we do not agree that the draft licence conditions are appropriate with regard to the Expert Panel. We believe that the central body should have more flexibility over the expertise that can be recruited into the panel and that this need not necessarily be fixed. There may be good case for recruiting specific expertise on an ad hoc or temporary basis. In addition, there is a focus on consumer protection which is obviously important, but not the responsibility of the central body or its expert panel.
- 26.2. The purpose of the expert panel is to bring professional skill and advice that enables the delivery group to achieve its objectives. That should include suppliers.
- 26.3. Consumer protection is a fundamental tenet of the Programme and is manifest in numerous initiatives, including the Ofgem Spring package, the Installation Code of Practice, and the Consultation on Privacy and Data Access, to name but three. It is implicit and should not be a concern of the engagement central body or its expert panel. It is not within the aims or activities of the central body, so it should not be a requirement of the panel. In our view it is unhelpful and restrictive to list the areas of expertise required as some may be hard to predict.
-

Question 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.

- 27.1. We agree that an annual plan and budget are essential but suggest that a rolling three or five year plan and budget are also required, updated annually. We expect the costs to be front-weighted, to establish the brand and drive engagement/awareness.
- 27.2. Other than the annual report prepared by the central body, there is little reference to monitoring. We would like there to be an obligation for an external measure of effectiveness to be established and for results and monthly trends to be part of the reporting process. The industry needs assurance that the central body is effective and providing value for money.
- 27.3. We agree that the documents listed in Q41 should be published in an accessible form but do not see energy consumers as the prime audience, as is suggested in this section.
-

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

- 28.1. It is not clear under this proposed agreement where suppliers can challenge the size of the central body's budget. As drafted it could be larger than our internal marketing budget and we would be obligated to contribute unless we could prove inefficiency. A reasonableness test is required and a dispute resolution route where there is an impasse.
-

Question 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.

- 29.1. Further to our remarks in our response to Question 7, we believe that this should be distributed between suppliers on the basis of their proportion of the total population of non-SMETS meters.
-

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

30.1. We have no additional comments

Question 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.

31.1. We are not aware of any consequential changes to existing conditions or Codes.

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

32.1. We agree with the assessment of the non-domestic market included in the consultation. The energy services market is becoming increasingly competitive and we believe this is good for customers. We anticipate that there will be a period of continuing innovation and growth. We expect existing providers in non-domestic and new entrants to identify opportunities in domestic service provision.

Question 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?

33.1. An early communication to businesses on smart meter benefits might be helpful as there is a business disruption impact that needs to be overcome. Business customers may have heard of smart metering but perhaps be unclear what it can provide to the benefit their business costs/operations. Some generic messages about benefits could be useful but we see this as a short-term requirement that, if not fulfilled through the central body, would be delivered by suppliers.

33.2. Business managers are used to commercial choices and cost management and most are generally well-informed over their options for energy supply and energy services. They are also all domestic customers in private so will already be informed

about the impacts and benefits of smart metering

- 33.3. The information needs of business are more specific than for domestic customers and therefore there is a case for different communications. Once the general awareness levels are higher, we think these tailored communications are best left to suppliers who are better-placed to understand the customer's requirements. A central body would lack the sector knowledge of suppliers and could provide messages of limited relevance.
-

Question 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?

- 34.1. For many micro-businesses the installation experience will be very similar to that for a domestic customer (albeit there may be more constraints on appointments). We expect the information that we provide to be similar or identical, the installer to be the same, the metering systems, etc. Many may even take an IHD. For these customers, we see little benefit in the central body producing tailored engagement materials. They should either be generic or produced by the supplier in our view.
- 34.2. The real value and engagement comes from personal and relevant feedback on energy usage, as described in our answer to Question 2.
-

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

- 35.1. We believe that it should be made explicit that the conditions apply only to domestic customers.
-

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

- 36.1. The most important principle is to keep it simple. We are already asking for a lot from our customers. Not only are they expected to accommodate an unsolicited

request from their supplier to visit them, we also need them to clear out any obstacles in the way of the meter, we require them to accept that their supplies will be interrupted – for which there is never a convenient time – we require them to be present for a demonstration and some information on energy efficiency that they did not ask for, we need them to listen to their options on data privacy and marketing, and give us a decision, and then to modify their behaviour to use less energy.

- 36.2. It is unrealistic, misguided and disengaging to consider layering on top of all this the remaining strands of the Government's energy efficiency initiatives. It simply will not work and will be self defeating. As the Programme matures there may be a case for changing the messaging but that should be a conscious decision subject to different governance and funding arrangements.