



## Licence conditions for a code of practice for the installation of smart electricity and gas meters: a consultation

### Citizens Advice response to DECC

November 2011

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## Introduction

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The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination. The service aims:

- To provide the advice people need for the problems they face.
- To improve the policies and practices that affect people's lives.

The Citizens Advice service is a network of nearly 400 independent advice centres that provide free, impartial advice from around 3,500 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups.

In 2010/2011 the Citizens Advice service in England and Wales advised over 2.1 million people on over 7 million problems. Debt (almost 2.3 million problems) and welfare benefits (almost 2.2 million problems) were the two largest topics on which advice was given.

Of the 2.3 million debt problems, almost 104,000 related to fuel debt. In addition, Citizens Advice Bureaux also dealt with over 40,000 problems about a range of other (non-debt) fuel matters.

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## General comments

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Citizens Advice welcomes the opportunity to respond to DECC's consultation on the licence conditions for a smart metering installation code of practice (SMICoP).

We welcome a mandatory, licence-backed code of practice for the installation of smart meters. It is vital that consumers' experiences of installation are positive and that they have trust in the integrity and efficiency of the project if it is to be a success.

Citizens Advice has been involved, along with other consumer representatives, in the development of the SMICoP, led by the Energy Retail Association (ERA). Although our involvement has always been welcomed, and there are some areas in which considerable progress has been made on taking consumer concerns into account, there have also been suggestions from consumer groups that have not been taken up. We are disappointed, therefore, that the code itself will not be subject to a statutory consultation process by Ofgem, and we would be pleased to see Ofgem playing a greater role in shaping the final detail of the code as it moves towards the approval process.

We believe that the code must include information about relevant consumer protection law, such as the Consumer Protection from Unfair Trading Regulations 2008, and the Cancellation of Contracts made in a Consumer's Home or Place of Work etc Regulations 2008. As it currently stands, the code references only industry-specific legislation. The code is to be a consumer-facing document, and as such it must set out the protections that already exist elsewhere. This must not simply be by mentioning their existence, but also by explaining their main relevant provisions.

The code must also include some information on how changes of occupancy will be dealt with. Although the code is focused on the installation process itself, for a new occupier, moving into a home with a smart meter there are important issues that need to be addressed. For example, how

will a new occupier know how to use their meter and/or the IHD? Will they get an IHD and if so, how? We recommend that on initial contact with a new occupant in a home that has a smart meter, suppliers should be required to do the following:

- Inform the occupant that the meter is a smart meter
- Ask the occupant if they have had a smart meter before
- Offer information on using the meter/IHD and free access to support
- Offer an IHD if the original was not left at the property

We are disappointed that there is no requirement for suppliers to ensure that newly installed smart meters do not interfere with other appliances in the home, or indeed with other smart meters located in neighbouring properties. In order to ensure a safely and satisfactorily functioning system, as well as to reduce the cost of subsequent fault resolution, installations must check that the smart meter is functioning correctly and without interference.

We note also that there is nothing in the code - nor are there any requirements for the code to include - anything about consumer choice. This is particularly important in the pre-roll out phase, during which customers may receive meters that are not compliant with the technical specifications and which may need to revert to 'dumb' mode on change of supplier. We do not believe it is acceptable for suppliers to be required to inform customers of this only at the time they request a switch; for customers to make an informed choice, this information must be provided pre-installation.

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## Response to specific questions

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### 1. Are the overall objectives set out in the draft licence conditions appropriate?

The objectives set out are broadly appropriate. However, we note that they do not include any obligation on suppliers to take steps to ensure that consumers can realise the benefits of smart metering as fully as possible. Given that the business case for rolling out smart meters is largely based on anticipated consumer behaviour change, we recommend including an objective that obliges suppliers to do all they can to help achieve this. Such an objective could be put into practice by, for example, ensuring that installers effectively set up, install and explain how the IHD works.

### 2. Would the licence conditions as drafted effectively underpin:

- a) the intended roles of Ofgem and suppliers in establishing and reviewing Code(s) of practice for domestic and micro-business sites?
- b) an appropriate ongoing governance regime for the Code(s) of Practice?
- c) the intended arrangements for monitoring and compliance with Code(s)?

We are concerned that the Code will not be subject to statutory consultation by Ofgem. Although it has been developed by the Energy Retail Association in consultation with a range of interested parties, including consumer groups, many suggestions made by consumer groups have not been incorporated into the code. We believe that the text of the SMICoP should itself pass through a statutory consultation process, in addition to consulting on the licence conditions necessary to

implement it, and we would welcome a greater role for Ofgem in helping to finalise the code as it moves towards approval.

Consumer groups should have the ability to raise compliance issues and concerns about the effectiveness of the code itself directly with Ofgem, which should be given stronger powers to amend the code swiftly where necessary. We note that the licence condition as drafted allows for Ofgem to order a review of the code and to order modifications where necessary, but we are concerned at the intention that Ofgem should not ordinarily be expected to do this as this may encourage a reluctance on the part of Ofgem to take such action. We also recommend that Ofgem is granted the power to issue an order for revision of the code without necessarily waiting for the outcome of a review of the particular features of the code.

It is not clear to us how compliance with the code will be enforced or how and when suppliers will be required actively demonstrate (rather than just maintain a record of) compliance; this should be clarified. It is important that poor performance is effectively dealt with and that clear and transparent sanctions will be applied. We also recommend that compliance data is published regularly by either Ofgem or DECC.

### 3. Should the licence conditions underpinning a domestic Code also be applied to smart-type meters, or should the Government work with suppliers to secure voluntary application of Code provisions?

Yes. Citizens Advice believes that anyone having a smart or smart-type meter installed should be entitled to protection and a high quality service under the Code.

### 4. Would the licence conditions as drafted effectively underpin the policy intention that the costs of the installation of smart meter systems should be reflected over time in customer's energy bills, with no upfront or one-off charges?

We believe that licence conditions CC 6-8 do as drafted effectively underpin this policy intention. However, we are concerned about the policy intention to allow upfront charges for customers who purchase enhanced equipment. Our views on sales and marketing are set out below.

#### 4. Do you agree with our definitions of sales and marketing?

AND

#### 5. Do you agree that prior written consent should be required for any face-to-face marketing or sales activity during the installation visit?

AND

#### 6. Are any other measures required to protect consumers' interests in relation to sales and marketing during the installation visit

While we recognise that DECC's intention in requiring written consent for all face to face sales and marketing during the installation visit is to provide protection from consumers, and we understand the reasoning behind defining marketing in such a way as to include activity that we would generally term 'sales', we do not feel that requiring written consent goes far enough to provide adequate consumer protection. There have been numerous examples over recent years of very poor sales practices by energy suppliers, and we are very concerned that the nationwide roll out of smart meters risks exposing consumers to exploitation by commission-driven sales people.

We recommend that there should be no conclusion of sales or signing of contracts whatsoever at installation visits. We believe that providing written marketing material is perfectly reasonable, as is providing face to face advice about energy efficiency. We would differentiate between advice and marketing as the former would include information only about generic rather than specific products. Written marketing would need to be monitored and reviewed for accuracy and customers must be signposted to independent advice on energy efficiency.

If verbal marketing is to be permitted, it must be carried out only with prior written consent and there must be a minimum period between the lead generation and any follow-up call or visit. This would allow the customer time to shop around for a better deal and would reduce the likelihood of pressure sales.

We strongly recommend that suppliers do not offer commission or other incentives to their installers for lead generation or for sales if sales are permitted. Nor should installers be put under any other sort of pressure to generate leads or make sales.

If DECC chooses to permit both sales and marketing, as is proposed, we agree that this must only be with prior written consent. Furthermore, it is essential that suppliers are not able to sell products that customers are able to get for free elsewhere. Where safety or security products, such as carbon monoxide detectors or smoke alarms, these should be from a defined list of acceptable products and customers must be made aware if they can access such products more cheaply elsewhere. For example, we understand that network operators provide carbon monoxide detectors and smoke alarms at cost, although these may be posted out and customers will have to install them themselves. If such products are to be marketed and/or sold at installation visits, installers must make customers aware of this.

## 7. Would the licence conditions as drafted and/or existing rules deliver the policy intentions on customer information and advice, vulnerable consumers, avoiding undue inconvenience and complaint-handling?

Licence condition CC 9(d) should be improved by including the following in the list of groups whose needs should be identified and met in particular: low income households; households with children; people with low literacy and/or numeracy; people for whom English is not a first language.

Processes must ensure that customer vulnerability is identified as early as possible, and all pre-installation contact with customers should include checks for vulnerability so that additional help and support can be offered and arranged in advance of the installation visit. If installers identify a previously unknown vulnerability at the installation visit, they should ensure that information is passed on appropriately to suppliers and customers must be offered extra services such as registration on the priority services register.

Some vulnerable customers may require longer installation visits than other customers and installers and suppliers must take account of this. Installers must not be incentivized to complete installations within a certain time period if this is at the expense of good customer service and assistance to vulnerable people. Some customers may find it difficult to take in all the information that they are given at the installation visit and so they must be told how they can obtain further information if necessary.

We recommend that DECC should consider obliging suppliers to implement an extra help scheme for vulnerable consumers, as was mentioned in the Prospectus Document. Such a scheme could include the (free) installation of additional energy efficient measures such as new light bulbs or radiator reflectors, and safety devices such as carbon monoxide monitors and smoke alarms. It could also involve other help and assistance such as benefit entitlement checks and debt advice referrals.

Licence condition CC 9(c)(iii): The information provided by installers about where to seek additional advice or assistance should not be limited to advice or assistance relating to energy efficiency. Information on independent sources of support and assistance for people who are having difficulty paying for their energy, or who are having problems dealing with their energy supplier should also be provided, including information on complaining to the Ombudsman. We suggest that such information be provided in written materials left with the consumer.

8. Do you agree that, for the purposes of the non-domestic code, the sites to be covered should be defined as a business with no more than 10 employees or their full-time equivalent, an annual turnover that does not exceed €2 million, or consumes less than 50MWh of electricity a year or less than 200MWh of gas a year?

9. Would the licence conditions as drafted effectively underpin the policy intentions with respect to non-domestic consumers on customer information and advice and undue inconvenience?

Citizens Advice has no comment to make in response to these questions.