



Response by E.ON DECC Consultation Consumer Engagement Strategy

General Comments

Consumer Engagement Strategy

E.ON welcomes the Consumer Engagement Strategy consultation and is supportive of the high level aims and specific objectives.

Customer acceptance is fundamental to the success of the smart metering implementation programme. As a supplier we have a vital role in delivering the roll out and in communicating the benefits of smart metering to our customers. We agree that it is also important customers have access to independent endorsement and advice and see value in community level support initiatives to supplement supplier partnering arrangements.

We fully endorse a centralised media handling function to address each of the issues raised in the press. There have already been a number of negative press articles so this needs to be carried out now within the programme. To this end we are pleased to see the further proposals of the Consumer Engagement and Rollout Group to deliver interim arrangements on media activity.

The development of an umbrella brand which can position supplier's rollout as part of a national programme will also be valuable.

We were initially surprised by the proposal for suppliers to deliver a Central Delivery Body (CDB). A key benefit of CDB is the delivery of central messages by an organisation that is seen to be independent of suppliers. We do however agree that suppliers own the direct relationship with customers and therefore we should have overall responsibility to deliver customer communications. It is important that independence and perception of independence is not undermined. It is however interesting to look at the governance arrangements for Digital UK where the policy framework was again developed by government and delivery carried out by the industry. For Digital UK the supplier equivalent organisations did sit on the board but there were no issues, perceived or otherwise, of conflict with independence.

There needs to be clear responsibility for implementation of CDB and for maintaining of financial diligence on operations. In both cases we can see the value of suppliers taking a leading role. It would however be difficult to carry out these duties without any Supplier presence in the executive body.

It may be possible to balance responsibility for implementation and funding with independence by including suppliers, who provide the funding, on the board but having an independent Chair



supported by expert panel. Other parties such as DNO's could have a voice through commenting on business plans and, where appropriate, via an expert panel.

The industry should be given time to deliver a solution for CDB. If regulation is considered necessary at any stage this should be "light touch" rather than the current prescriptive drafting. This will make it easier for CDB to adapt as learning is gained.

Engaging the customer base in UK will take time and it is not a one off activity, silver pellets rather than a single silver bullet. It is therefore important that proactive customer communications start very early rather than waiting for the DCC go live. Digital UK experience of the time taken to establish capability also suggests work should start immediately.

There would be advantages in using an existing body such as Energy UK to implement CDB.

Smart metering is a major programme and it is important that there is no distraction from initial installation activity. CDB may provide a useful longer term mechanism for supporting future energy policy initiatives such as the Green Deal and synergies should be considered. These should however be seen as a later phases of activity.



Specific Question

Consumer Engagement Strategy

- 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.**

Yes. The high level aims and specific objectives for the consumer engagement strategy are all sensible. There has already been considerable negative press coverage and it is important to respond centrally now to these issues. It may therefore be worth extending the first high level aim to "Building consumer support for the roll-out by building confidence in benefits and providing reassurance on areas of customer concern. This activity should start as early as possible within the programme and seek to respond to any concerns by the press or other influencers of customer opinion."

- 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.)**

We are supportive of all these interventions as behaviour change tools but believe the approach or detail for some may need to be tailored to different customer segments, for example advice & guidance for vulnerable customers will be different to non vulnerable more affluent customers. We have seen from our trials how customers are engaged with direct feedback with 94% reporting they are still using their IHD post installation, over 50% using every day and 93% every week. Motivational campaigns will play a key role in educating the UK around how smart metering can enable energy efficiency in the home and should be powerful in creating a 'social norm' around reducing energy consumption. We also recognise the importance of offering our customers indirect feedback on their energy consumption to help put them in control of their energy usage.



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

We see considerable advantages in using established trusted community outreach arrangements to support promotion of smart meters and energy saving behaviour.

E.ON has a well established partnership with Age UK which has been very helpful in delivering access and customised service offerings to a group of customers so we see the value that such a trusted organisation can bring.

We are also supporters of research coordinated by Consumer Focus to identify the needs of differing needs categories of vulnerable customers. We are aware of the effectiveness of the Help scheme employed by Digital UK. It would be helpful to have a range of trusted partners available who can identify the most effective communications approaches with a range of vulnerable customers.

It would be unrealistic to expect universal availability of outreach support throughout the roll out as employees or volunteers will need familiarising with the roles expected of them. We recognise that some elements of our roll out will not be as geographically intensive as with Digital UK. Suppliers will need to satisfy customer demand including for new products that require a smart meter, to replace meters where required for statutory or technical reasons and to provide meters for new connections so some elements of our roll out will be spread around our customer base.

There will nevertheless be a geographical element to supplier's roll out to optimise productivity by limiting the time travelling between installations. It will hopefully be possible to align outreach access to expert support to the geographical elements of our roll out.



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

Foundation provides a valuable opportunity to test and learn which must be subject to maintaining customer protections. We are keen to participate actively in Foundation and have already announced that we intend to roll out 1 million smart meters by the time of DCC go live.

We have already shared much of our learning with the programme and some experiences have been shared generally. We have already publically shared that we have found it more difficult to engage with some younger and some more affluent customers.

There will be some elements of the learning in which we have invested that will be commercially sensitive and will, we hope, provide us with competitive advantage. This will include for example establishing the most effective ways of agreeing an appointment for different categories of customers within our customer journeys. We would want to place some restrictions on information we have invested to acquire being shared with competitors.

5. We see some benefits in running a small pilot to test consumer engagement arrangements but believed this should be against very clear objectives. Digital UK pilot extended to around 100 customers. 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?

There would be value in carrying out a small pilot. It would however be necessary to start planning very soon as any pilot must not delay wider progress. It would also be important to have tight trial objectives on consumer engagement and to avoid creep in scope.

With regard to "making information on different suppliers' installation packages", CDB should have a neutral role and focus on the generic benefits of smart metering.

There may be a case once a body of evidence has been established to provide comparative information on suppliers but this would need to be treated with great caution e.g. consumption reduction could be affected by roll out plans or by local factors; suppliers could offer a range of displays and other methods of indicating consumption variation over time; in a market of churn there may also be inheritance of functionality.



As now suppliers may choose to develop partnerships with other bodies such as charities but this should be left to the market and not restricted.

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?

We were initially surprised by the proposal for suppliers to deliver a Central Delivery Body (CDB). A key benefit of CDB is the delivery of central messages by an organisation that is seen to be independent of suppliers. It is important that independence and perception of independence is not undermined.

It is however interesting to look at the governance arrangements for Digital UK where the policy framework was again developed by government and delivery carried out by the industry. For Digital UK the supplier equivalent organisations did sit on the board but there were no issues at all, perceived or otherwise, of conflict with independence.

There needs to be clear responsibility for implementation of CDB and for maintaining of financial diligence on operations. In both cases we can see the value of suppliers taking a leading role. It would however be difficult to carry out these duties without any presence in the executive body which will be charged with establishing CDB and approving the business plans.

It may be possible to balance responsibility for implementation and funding with independence by:

1. including suppliers on the board
2. Having an independent Chairman.
3. an independent expert panel to provide advice and
4. by production of a business plan to deliver the objectives cost effectively and of
5. annual business plans all of which are subject to consultation and approval.

One alternative would be for the body to be established initially by the programme and then run by DCC. We would see the programme having a hands-on roll at least in gaining assurance over plans to establish CDB. It is however not intended for DCC to be customer facing so this would involve development of a wider skill base and may have an impact on procurement timing.

To give greater independence funding could be provided by government. However in the current economic climate this is unlikely to be an option.



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 is considerable benefit in an independent CDB being established and this view has been widely articulated by most if not all stakeholders. It is therefore not an approach which needs to be forced on suppliers or other stakeholders.

The body needs to have the flexibility to evolve over time as learning is gained. The framework under which it is established should therefore not be over prescriptive.

DECC, via the programme, has an important role in setting the CDB objectives and framework. As custodian of the business case and as an important source of gaining and applying learning, DECC must have a hands on role in gaining confidence that CDB is established in a timely and cost effective way and then operating effectively. There may also be some practical competition law constraints on supplier activity e.g. in joint procurement which will require oversight by DECC or Ofgem and possibly some support on establishment.

Under such incentives and with programme oversight a voluntary approach may be acceptable. Suppliers have already demonstrated their ability to deliver requirements via early implementation of the Installation Code of Practice. It is however important that all stakeholders have confidence that delivery and effective operations will take place and some may prefer this to be against a licence obligation. If it is deemed necessary to deliver against a licence condition this should be "light touch" regulation to enable flexibility.

The other issue is funding. To give greater independence funding could be provided by government. However in the current economic climate this is unlikely to be an option.

If responsibility for delivery and funding is to sit with suppliers we must be able to have some say in the executive body which is established for the purposes of implementing CDB and maintaining financial diligence. We recognise the importance of independence but believe total exclusion of suppliers from CDB governance would make it very difficult to carry out these responsibilities. A presence of suppliers on the board but with an independent chairman would seem a sensible alternative.

It is also important to consider how failure to deliver the obligations would be handled. If the obligation is placed on suppliers would any penalty be joint. How far would this be mitigated if suppliers are not allowed any authority or mechanism to direct or dismiss the board that is responsible for delivery? There needs to be a clear distinction between responsibility for failure by CDB and failure of individual suppliers against individual licence obligations.



An implementation project will be necessary to establish CDB and one option would be for this to be delivered by Energy UK in the same way as Installation Code of Practice has been facilitated.

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

We support the primary objectives of CDB.

There has already been considerable negative press coverage and it is important to respond centrally now to these issues. It may therefore be worth extending the third objective "To build consumer support for the roll-out by building confidence in benefits and providing reassurance on areas of customer concern. This activity will start as early as possible within the programme and seek to respond to any concerns from the press or other influencers of customer opinion".

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

This is a sensible list of activities. We would expect these broad headings should include delivery of common messages, provision of independent advice and support to customers and development of an umbrella brand.

We agree that government should not be too prescriptive and allow opportunity for CDB to evolve. DECC, via the programme, however, has an important role in setting the CDB objectives and framework. As custodian of the business case and as an important source of gaining and applying learning, DECC must have a hands on role in gaining confidence that CDB is established in a timely and cost effective way and then operating effectively.

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

DECC will have a role in setting the policy framework and high levels aims and objectives.

CDB is important to the success of smart meter installation programme and some activity will start within the programme before CDB is established. Some activities will need to continue and new ones start whilst CDB is being set up. There needs to be a plan which captures how the elements of CDB will be delivered over time. This plan needs initially to be managed by the programme as no other vehicle exists.



During the period when the activity is carried out within the programme before CDB is set up there needs to be a "shadow CDB" at an appropriate level to deliver the necessary customer communications.

An early delivery will be the establishment of a group to set up CDB. This will involve appointment of a project manager, and development of an implementation plan and a business plan. Initial focus will be on monitoring against the implementation plan. Whilst suppliers may hold individual responsibility delivery is likely to be via a delegated body.

Suppliers will also be subject to delivery of licence obligations and this will be monitored by the separate reporting and monitoring regime which will be consulted upon shortly.

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

It is important that suppliers who have responsibility for funding are able to carry out financial diligence. This must be within the constraints of delivery of objectives within an agreed, costed strategy and delivery plan. This could be achieved by annual production of a business plan which is approved by the Board, which includes suppliers, but is informed by an expert panel and is then subject to consultation. Ofgem or DECC would act as arbitrator in case of dispute.

As an incentive to install smart meters funding contributions could be based on the remaining traditional meters which have yet to be changed. This approach would incentivise suppliers to make progress and better reflect the costs of where CDB activity is still required.

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?

Either approach would work. The advantage of using an existing body is avoided time and cost on set up and potentially use of an established brand. There would still be need to recruit and establish a separate board and project team. Additional accommodation may also be necessary.

The disadvantage is finding a body which would naturally deliver these activities and one that is not tainted in any way which may deflect from delivery of CDB objectives. The same constraints would apply to use of an existing brand.

One possibility to deliver some or all of the service could be Energy Savings Trust who has recently been awarded work to deliver an energy efficiency call centre.



Another alternative would be to make use of Digital UK. Some of the expertise and practical learning may be very valuable. There are however some significant differences and it is important that the Digital UK model is not inappropriately forced on smart meter roll out. It may be more appropriate to use key personnel as expert advisors.

Energy UK could also have an important role in establishing the implementation project.

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?

Yes the objectives and activities of CDB will help delivery of the consumer engagement strategy.

These activities will be complementary to suppliers own activity with individual customers. For example if E.ON were to develop a partnership with a charity to gain access to certain vulnerable customers this relationship alone may satisfy delivery of some objectives.

For vulnerable customers who E.ON is unable to engage through partnership arrangements access to outreach arrangements may offer the best route for engagement.

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

From experience of smart metering industry meetings to date there has been a high level of interest from a wide range of stakeholders but there has often been difficulty with attendance because of the range of wide range of activities that need to be addressed by organisations with limited resource.

There should be advance notice of expert panel attendance requirements including topics to be covered by the meeting so that the right experts can attend.

The executive would exercise oversight to ensure that proposals from experts are not inconsistent with the business plan assumptions.



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?

A requirement placed upon suppliers to deliver CDB would involve joint activity in a number of areas. This would include agreement of a business plan, procurement of services and selection of experts. It will be important that there is independent oversight of these activities which could be delivered by Ofgem and / or DECC.

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?

The possible model is generally sensible but we have significant concerns on the exclusion of suppliers from the Board. It is hard to see how responsibility for implementation can be delivered and how financial diligence could be maintained.

We would suggest that suppliers have presence on the Board but there is an independent chair. The experience of Digital UK is that presence of the equivalent to supplier community on the board was vital and created no issues, perceived or otherwise, over lack of independence.

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?

Small suppliers should be able to choose to participate in CDB set up.

Any participant within the programme could damage the reputation of smart metering so we would encourage all to be party to CDB objectives and services.

We suggest that any supplier or other party who provides funding should have representation on CDB.



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

Under the supplier hub arrangements contact with the customer is via the supplier. It may cause customer confusion if smart metering messages are received from other sources.

At this stage it may be sufficient for network operators and communications service providers to comment via annual business plans and participate in expert panel discussion if any relevant topic is raised.

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.

Yes. CDB timescales are very tight but achievable if activity starts very soon. Under any circumstances certain elements need to be delivered earlier under the programme such as responses to negative media. In the period before CDB is established the programme should also deliver the necessary customer communications.

It is important that CDB is in place to fully support mass roll out requirements and Digital UK experience suggests activity must start very soon to achieve this timetable.

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

We see considerable advantages in using established trusted community outreach arrangements to support promotion of smart meters and energy saving behaviour.

E.ON has a well established partnership with Age UK which has been very helpful in delivering access and customised service offerings to a group of customers so we see the value that such a trusted organisation can bring.

We are supporters of research coordinated by Consumer Focus to identify the needs of differing categories of vulnerable customers. We are also aware of the effectiveness of the Help scheme employed by Digital UK. It would be helpful to have a range of trusted partners available who can identify the most effective communications approaches with a range of vulnerable customers. It



would be unrealistic to expect universal availability of outreach support throughout the roll out as employees or volunteers will need familiarising with the roles expected of them.

We recognise that some elements of our roll out will not be as geographically intensive as with Digital UK. Suppliers will need to satisfy customer demand including for new products that require a smart meter, to replace meters where required for statutory or technical reasons and to provide meters for new connections so some elements of our roll out will be spread around our customer base.

There will nevertheless be a geographical element to supplier's roll out to optimise productivity by limiting the time travelling between installations. It will hopefully be possible to align outreach support to the geographical elements of our roll out.

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?

We expect that some of our roll out will be customer driven and the remainder will be geographic.

Geographic roll out will take place across all parts of the UK at the same time in established field force regions which we have termed "leopards spots"

Roll out will be supplier led. To this end we expect to send DECC a copy of our roll out plans and these will be used to inform the Communications Services Providers (CSP) procurement process and then dictate the network build of the successful candidates.

We would also expect to share plans with CDB and hope that the geographic elements of our plans will be supported locally by CDB and outreach arrangements.

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?

There would be considerable value in development of an independent and trusted brand to provide customer reassurance.

Suppliers would then be able to use this as an umbrella brand to position our roll out as part of the national rollout. This could be achieved by dual branding on literature e.g. of common agreed messages on energy efficiency advice.



It may take some time for the brand to be established so it is an activity that would need to start early. Digital UK experience was that this could be established fairly quickly. Alternatively an existing brand could be selected (such as Energy Savings Trust) which could save time and money but would need to convey the right brand values.

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.

If a licence condition is applied this should be "light touch" to allow scope for easy adaption as learning is gained.

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?

If a licence condition is applied it is important that suppliers are able to effectively carry out their implementation responsibilities and to then effect financial diligence. CDB will also need to know what suppliers are doing to effectively carry out activity.

In order to carry out these activities it is important that suppliers have representation on the oversight or decision making body. We recognise the importance of independence and would therefore propose that an independent chair is appointed.

It is useful to look at the governance arrangements for Digital UK where the policy framework was again developed by government and delivery carried out by the industry. For Digital UK the supplier equivalent organisations did sit on the board but there were no issues at all, perceived or otherwise, of conflict with independence.

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

The body needs to have the flexibility to evolve over time as learning is gained. If a licence obligation is deemed necessary it should be a "light touch" framework.



It should be complementary to supplier activity and also not preclude market solutions e.g. suppliers making individual partnership arrangements to deliver service to categories of vulnerable customers.

- 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?**

The types of expertise identified look sensible. It is however important to recognise that significant progress will need to be made on implementation before the expert panel is established.

We also have concerns over the Expert Panel being entitled to "establish their own rules and procedure". This is too opened ended and there must be some reference back to the board to ensure compliance with objectives and agreed funding.

- 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.**

The functions of CDB are sensible. If suppliers are to have responsibility for delivery of the body we will need to have the ability to discharge this obligation.

As funders we will also need to maintain financial diligence and have some certainty over the level of funding for financial planning purposes.

The Consumer Engagement programme should include a view of anticipated lifetime cost of the organisation to support financial planning. This can then be informed and varied, if necessary, within agreed parameters, based on the input from the Expert Panel.

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

It is difficult to see how suppliers could carry out these activities without a presence on the board. Otherwise the form and content seems sensible

- 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.**



There are no other duties anticipated

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?

We believe suppliers should be given opportunity to voluntarily deliver CDB. If a licence obligation is deemed necessary this should be "light touch".

There is a general issue on placing an obligation jointly on suppliers. How will failure be established and penalised. For example if a single supplier fails to pay this will presumably be treated differently from a joint failure to set up CDB within set timeframes.

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?

This market is currently evolving and we expect it to grow over time.

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?

There is likely to be a wide range of products for non domestic customers to meet their individual needs. Suppliers and energy service providers will therefore be the main source of contact.

It may however be difficult to engage with some non domestic customers. CDB support would be useful in articulating the benefits of smarter meters and centrally providing information that includes no commercial linkage.

We would not see this extending to the programme providing information on commercial offers which should be left to the market and could be seen as driving partiality.



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?

Where they can be separately identified, micro-businesses should receive similar support to that provided to domestic customers.

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

No licence conditions are required.

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?

Smart metering is a major programme in its own right and it is important that there is no distraction from initial installation activity. CDB may however provide a useful longer term mechanism for supporting future energy policy initiatives such as Green Deal and synergies should be considered. These should however be seen as a later phases of activity.

We understand the importance of customer behaviour change to achieve energy efficiency is a major element within the overall UK business case. We believe we have incentives to deliver smart meters well and to ensure our customers get the benefits of smart meters, through the relationship we have with our customers.