

June 1st, 2012

Smart Metering Implementation Programme
Department of Energy and Climate Change
55 Whitehall
London
SW1A 2EY

Smart Metering Implementation Programme – Consumer Engagement Strategy

Dear Sir,

Please find First Utility's response to the above consultation below.

Chapter 2 – Introduction

Question 1 – Are these the right aims and objectives against which to evaluate the Government's consumer engagement strategy for smart metering?

These seem appropriate. We agree that smart metering can provide particular benefit to vulnerable and low income customers by means of encouraging people to take control of their energy usage and stimulating the introduction of time of use tariffs to assist them in achieving this aim. We also agree that encouragement by Government of both competition and innovation is key to achieving the greatest possible level of consumer benefit.

Chapter 3 – Effective Consumer Engagement

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?

We do not believe that consumer incentives and market levers should have been excluded from the scope of the consultation at this stage. The view of First Utility is that consumer incentives can take the form of products such as time of use tariffs which encourage people to switch their energy usage away from peak times and thus achieve reduction of their overall bills while also assisting the energy networks in lowering system stress at peak times. However, for such offerings to be worthwhile from a supplier point of view reform needs to be urgently made to the manner in which domestic sites are reconciled, particularly in gas.

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

This could be effective if properly resourced and co ordinated.

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

Anything which increases the chances of smart metering technology uptake by each individual household can only be of overall benefit to the program and the nation as a whole. We feel that particular attention should be paid to debunking the many myths currently circulating in relation to data privacy and security and the increased likelihood of disconnection that having a smart meter installed might result in.

Chapter 4 – Delivering Consumer Engagement

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?

We would potentially support this as a means of promoting competition but it would be imperative that any information provided by the Programme or an independent third party was accurate and unbiased and that the party disseminating the information could prove that this was the case.

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 practical alternatives are there?

This would seem to be the most cost effective and easily coordinated approach.

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?

We would be supportive of the creation of such a body provided that all suppliers were able to provide input on an equal basis with equal weight given to their views and that the level of funding provided by each supplier is based on that supplier's market share. This approach will avoid smaller players being encumbered with an obligation that places a disproportionate burden on them.

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

These seem appropriate.

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

Again, these seem appropriate.

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

Progress should be monitored by a third party independent from the smart metering programme. This third party should also be responsible for communicating its views on the level of progress achieved to DECC, Ofgem and suppliers as a whole.

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

Please see our answers to Questions 7 and 11 above.

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?

Contracting an existing organisation would probably be less costly than setting up a new Central Delivery Body. However, this approach would then exclude the opportunity of creating a completely new body expressly created to deal with this purpose and undistracted by any other functions or responsibilities.

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? Do you have any alternative suggestions?

We believe so.

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

The Central Delivery Body should request applications from prospective members. Those members should then be formally interviewed and required to provide information relating to their knowledge and experience that justifies their being included on the panel.

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?

No, as members of the Expert Panel would be working in a capacity separate from their normal roles to provide expertise enabling decisions to be made that are likely to benefit UK consumers as a whole.

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?

The Central Delivery Body should act as an independent entity separate from both Ofgem and DECC although it may be required to exchange dialogue and views with them when appropriate. Suppliers should also have a say in the running of the CDB enabling all stakeholders to work together for the achievement of the CDB's overall aims.

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?

We agree that smaller suppliers should be involved as any other approach would likely have the effect of either sidelining them or undermining the overall aims of the Central Delivery Body. However, as stated in our answer to Question 7 above, we feel that the levels of funding provided by

each supplier should be directly related to that supplier's market share and that all suppliers should have equal attention given to their views irrespective of their size.

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

We do not believe that there is any necessity for network companies and communications service providers to be directly involved as consumers will be largely unaware of their role in smart metering. However there may be a role for them in providing advice to the Expert Panel and the Central Delivery Body as a whole.

Question 19 – Do you agree that the timings for the creation of a Central Delivery Body as set out above are achievable?

The timescales are ambitious but we feel that they are achievable if swift decisions are taken as to how the Government wishes to proceed in relation to this matter.

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

We feel this may be useful but steps should be taken to ensure that such an outreach programme does not unnecessarily replicate similar initiatives by suppliers. In addition, careful attention should also be paid to the benefit provided by this in relation to the cost.

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?

Not all suppliers are large enough to have to produce roll out plans. However, we feel it would be useful for suppliers to have the option to provide this information to the Central Delivery Body on a voluntary basis and for the body to take them into account when provided.

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?

We feel that there is value in such a brand, particularly if it becomes associated with advertising linked to consumer engagement in relation to the smart meter rollout. We therefore believe that all suppliers involved in the Central Delivery Body should be able to make use of this branding in their smart meter communications.

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?

Yes.

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?

These seem appropriate.

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

We agree with the drafting of the objectives and feel that they are sufficiently detailed.

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?

The licence conditions appropriately underpin the policy intention with regard to the expert panel. We would also suggest the inclusion of members with operational experience of the energy industry. We agree that the Secretary of State should approve any process for appointment of members prior to its coming into force.

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?

Yes.

Question 28 – Do you agree with the form and content of the Engagement Agreement as drafted in the Licence Conditions?

Yes.

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?

Yes, these seem appropriate.

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?

No.

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?

We do not believe so.

Chapter 5 – The Non Domestic Sector

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

The non domestic energy services market is a competitive industry which has proved successful at engaging with non domestic consumers.

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?

This may well be useful, but again, it must be ensured that any information disseminated does not unnecessarily duplicate that already provided by energy services providers as this will then be likely to introduce avoidable costs into the Central Delivery Body's functions.

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?

We agree that it may be appropriate to extend the central delivery arrangements to micro businesses as these are often little different from domestic customers in most respects. It may also be appropriate for the issue of engagement with micro businesses to be addressed through a separate strand of the Central Delivery Body's activities.

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

Q 18 (b) should be changed from "...at Domestic Premises" to "...at Domestic or Microbusiness Premises" as should Q 51 (b).

Chapter 6 – Enabling Wider Changes to the Energy System and Market

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?

It seems likely that new opportunities will arise as a result of smart metering over time. It would therefore be sensible for the Government to react to these changes as they occur and engineer incentives to encourage the appropriate behaviour.

Please do not hesitate to contact me if you have any questions or would like any further information.

Yours sincerely,

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