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FSB response to consultation on smart metering

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Micro-businesses and the energy markets

The roll out of smart metering across the UK offers small businesses the chance to take control of their energy consumption, increase their energy efficiency and reduce their costs. Yet the FSB is concerned that, owing to pressure from the big six energy companies, essential features and protections will be missing from the roll out for small businesses.

Whilst the FSB is fully supportive of the introduction of smart meters we have serious concerns that the six big energy companies are, at present, likely to be the main beneficiaries and that if the wrong decisions are made about the nature of the smart meter rollout small businesses will not be able to enjoy the full benefits of becoming more energy efficient.

The smart meter rollout for small businesses should broadly mirror that of the domestic rollout, which has largely been decided upon, and has strong safeguards to ensure that domestic consumers can benefit from competitiveness within the market. It is essential that small business customers should remain free to switch suppliers when they wish and not get locked into using certain suppliers due to the lack of meter interoperability. For example, they should be able switch to those who offer innovative metering, good service and competitive prices. In the report we make a number of recommendations to ensure the smart meter rollout empowers small businesses.

Micro-businesses are broadly similar to domestic household in terms of energy consumption use and we therefore believe that the majority of safeguards proposed for the domestic sector should apply to the non-domestic sector as well. We also urge DECC to bear in mind that Ofgem, in its' ongoing Retail Market review, is proposing to extend the current level of regulatory protections for micro-business to small businesses – which are officially defined as having up to 249 employees. We believe this extension of protections to small business should be reflected in the smart metering rollout.

Additionally, given the potential of smart metering to maximise a firms' energy efficiency and help reduce energy bills, we believe Government should look to mandate easy and free access to energy consumption data for small firms as well as ensure maximum interoperability to help businesses switch supplier without difficulty should they choose to do so.

Who benefits?

For the consumer, a smart meter can provide two main benefits. With a real time display, energy consumption and cost data are easily visible, and can allow the consumer to make energy savings. In addition, billing will be accurate and no longer require a meter reader to visit the house. Estimated meter readings for billing would be eliminated.

However it is widely thought that the real beneficiaries of the smart meter rollout will be the energy suppliers. Potential benefits include:

- elimination of manual meter reading costs (estimated to cost £150 million per year)
- reduction of costs to service customers. For example, debt management, prepayment / credit payment changes are cheaper to implement with a smart meter
- extension of the range of products and services into the home



- remote disconnection and connection of supply, (although existing regulatory procedures for customer disconnection will still have to be followed)
- on-demand meter readings
- remote tariff management
- enhancement of capabilities to detect fraud and the stealing of electricity.

Indeed, the potential benefits of smart metering for the energy suppliers are significant yet small businesses are unlikely to benefit unless operability, data access engagement issues are given the right consideration.

Given the number of benefits energy suppliers are likely to see from the smart meter rollout, including a likely significant reduction in costs from meter reading, we would expect these savings to be passed on to consumers through lower tariffs. The FSB believes Ofgem, the energy regulator, should be tasked with ensuring the costs savings that the energy suppliers are likely to experience are being passed on to consumers through lower bills.

In addition, given that smart metering will tell consumers exactly how much energy they consume, rather than give the traditional estimated readings of dumb meters, we believe that new level of transparency should be matched by an increased transparency in tariffs offered by suppliers. The current lack of transparency in tariffs offered by suppliers means that small business consumers find it difficult to compare prices between different suppliers and get the best price for them.

1. Operability

The FSB is concerned that the large energy companies have already started rolling out advanced/smart meters to their customers despite Government only having recently released their proposal for the technical specifications of what constitutes a smart meter. This means that many small businesses could have recently had an advanced meter that does not now meet the full technical specifications of what constitutes a smart meter. The Government has decided, for households, that energy suppliers will have to change any advanced/smart meters they have installed that don't meet the technical specifications. The FSB is concerned that, given the current difficulties SMEs have in switching energy supplier, the lack of a mandated specification of smart meter in the micro business sector could lead to those businesses, whose supplier have already installed sub-specification meter, finding it difficult to switch energy supplier due to the lack of interoperability of meters.

The FSB believes energy suppliers who have jumped the gun and installed sub-specification meters should be forced to install smart meters of adequate specification in the small non-domestic sector at their cost.

The Government has mandated the use of in-home displays (IHD) for the domestic sector which give visually displayed relative energy consumption information. However, they have not mandated the use of in the small non-domestic sector. The FSB fears this will limit a small businesses' ability to increase their energy efficiency and facing possible charges to access their energy consumption data online via their supplier as well as potentially being subjected to online marketing.

2. Data access and the Data Comms Company



The FSB remains concerned about the lack of mandated DCC use by energy suppliers in the non-domestic sector since it has potential implications about the impartiality of energy efficiency advice offered as well as the cost of accessing such data.

Asking small businesses to pay to access their energy consumption data will seriously undermine the credibility of the programme as well as limit the potential economic and environmental benefits of the scheme. Small businesses, like domestic households, should be able to freely access their energy use data in order to maximise the potential benefits of smart metering.

Further to this, the credibility of the smart meter rollout could be jeopardised if small firms are dependent on their energy supplier to provide them with data about their energy use. Small businesses have traditionally had a poor experience in their relations with the big six energy companies and their confidence in the rollout would be bolstered by accessing data via an independent DCC. This is particularly important given that the Government is not proposing to make the mandatory use of an IHD for non-domestic premises.

3rd party access to data

Further, many firms use 3rd party energy experts to advise on how to cut their energy use and where the use of DCC is not in place it will raise issues as to how or if the 3rd party can access a firm's energy consumption data. This is a particularly important consideration for energy intensive small businesses who can see significant cost savings through the use of a 3rd party.

We therefore believe, should Government proceed with not mandating the use of DCC in the non-domestic sector, that special arrangements will need to be made to ensure 3rd party access to a firm's data should they not be opted in to the DCC.

Network operator access to data

Whilst we do not foresee any significant problems allowing network operators access to energy data we believe small firms should be made aware of such provision. Also, where an energy supplier has chosen to proceed with the roll-out of advanced metering, rather than smart meters that meet the Government's specifications, no additional costs should be passed on to small firms for network operators to access their data.

Rural based businesses

We note in the draft Smart Energy Code document for non-domestic premises, the DCC will be able to charge depending on location where as domestic household will pay a flat rate. We believe a higher charge for rural based businesses could undermine the credibility of the smart meter rollout and further increase the cost of setting up a business in a rural area. We believe a nationwide flat rate would be more applicable.

Elective DCC services

The FSB supports the proposal that DCC charges for elective services should be the same as for core DCC services. This is crucial to ensure business, and indeed suppliers, are not put off from choosing elective services and the associated energy efficiency benefits.

3. Engagement

In relation to engaging with small businesses during the roll-out we believe it is essential that the Government needs to distinguish between micro business sites and small sites owned by large retailers since the needs of micro-business sites will be different from those of a large business that owns multiple premises.



Provision of initial information on the current range of smart and advanced metering

We are broadly supportive of providing initial information based on the current range of smart and advanced metering. However, as stated above, we believe small businesses need to be made fully aware of the benefits of having a meter installed that meets the Government's agreed technical specifications in order to allow them to switch suppliers and enjoy a competitive energy market.

Central Delivery Body

Given the unique nature of micro-businesses and the place they hold in the energy markets we believe the proposed Central Delivery Body should be specifically tasked with engaging the micro-business sector.

Whilst we support the creation of a CDB in principle we believe careful consideration needs to be given to the governance and structure to ensure its independence from energy suppliers in order to give small businesses confidence in its role.

We also believe, in order to maximise the potential of smart metering, that consideration should be given to linking the CDB to the DCC in order to provide businesses with tailored energy efficiency advice specific to their businesses and energy consumption patterns. This would allow the small businesses to access their energy consumption data alongside bespoke advice on how they can maximise their energy efficiency to help cut costs and carbon emissions.

Training

We remain concerned that not enough is being done to provide adequate training for small businesses to maximise the potential benefits of using smart meters. Smart meter themselves do not save energy but the people who use them. We would therefore welcome greater focus on the training provision during the rollout.

Conclusion

Smart metering offers small firms the potential to re-balance their relationship with the big six energy suppliers. Yet the Government is risking not realising the full potential of the smart meter rollout, both in economic and environmental terms.

The lack of a mandated minimum technical specification in the non-domestic market could lead to small businesses experiencing difficulties in switching suppliers as well as undermining attempts to introduce greater competitiveness in the energy markets.

Secondly, by allowing energy suppliers to opt out of using the DCC could see small firms being charged for accessing their energy consumption data which will severely undermine the energy efficiency potential of smart metering as well as the credibility of the rollout as a whole.

Lastly, given the unique position of small businesses in the energy markets special consideration needs to be given to how best engage with SMEs during the rollout of smart metering.

