

## Green Alliance response to selected questions in Smart metering implementation programme: consumer engagement strategy

Published by DECC, April 2012

### Contact details

### About Green Alliance

Green Alliance is an environmental think tank working to ensure UK political leaders deliver ambitious solutions to global environmental issues. While not a formal alliance, we work closely with partners in the third sector, business and other spheres to advocate proposals salient across the political spectrum. Our activities include research, advocacy and convening high-profile events with senior politicians and key influencers.

Green Alliance has carried out extensive policy research on energy efficiency and how knowledge about human behaviour should be incorporated into policy design. We have been looking at the smart meter roll-out since its inception, and have been consistently pushing for policy makers to focus more effort on how the roll-out will engage people to maximise energy savings.

Over the past two months Green Alliance has carried out a broad programme of engagement with stakeholders exploring how best to engage consumers with the smart meter roll out. Our findings from this work are captured in our policy insight *Smarter Communications: Strengthening the consumer engagement strategy for smart meters*.

### Overview

Consumer response will be key to the success of the smart meter roll-out. It is consumers that will have to bear the cost of the roll-out through increased bills so it is essential that they understand and genuinely benefit from the programme. Their co-operation will be essential if we are to achieve the anticipated installation of meters into 97 per cent of homes, as they will need to take time off work to let an installer into their home. And if the scheme is to bring about the energy reductions that the programme's business case is dependent upon, consumers will need to

respond to the information they receive from their smart meter and any associated services and amend their behaviour to reduce their energy use.

We would therefore argue that engaging consumers is one of, if not *the*, most important element of the entire programme. Put simply, without engaged consumers the programme will fail. This echoes the experience that the energy company PG&E had in California. The company acknowledges that many of the difficulties they experienced in their roll-out of smart meters were a result of positioning it as an 'infrastructure' rather than a consumer engagement programme.<sup>1</sup> In May 2010, Helen Burt, senior vice president and chief customer officer at PG&E, said "This is not about statistics. . . I don't believe we did a good job of seeing the world through the lens of the customer."<sup>2</sup>

Green Alliance welcomes the publication of DECC's consumer engagement strategy which we hope will be the start of increased focus and resource in this area, which to date has had little attention.

We support the consultation's central premise that some elements of consumer engagement are best managed centrally; to avoid message confusion and to ensure that key messengers and support services, such as charities and consumer groups, are activated. These proposals are a strong foundation to build on.

Whilst we support the ambitious aims that DECC has for its consumer engagement strategy we do not believe the strategy as currently drafted will deliver them. Its proposals need to be more robust if they are to achieve successful consumer engagement, particularly in delivering the scheme's business case through encouraging energy reduction, which as DECC has acknowledged energy suppliers are not sufficiently incentivised to help all consumers achieve.

To this end we propose six broad changes to the proposed strategy as it stands:

1. **Strengthen and clarify the objectives for the Central Delivery Body with clear KPIs to be delivered under each one;**
2. **Clarify the CDB's remit and its relative focus on installation vs. reducing energy use;**
3. **Strengthen and clarify the CDB's remit with regards to effective engagement with third sector stakeholders;**
4. **Capture the benefits of a regional roll-out through delivering consumer engagement on an area basis where applicable;**
5. **Run 'smart town' pilots in sufficient time to test consumer engagement; and**
6. **Establish a clear role for energy suppliers in the central delivery body's (CDB) governance.**

**7. Link up with other household energy policy areas more comprehensively particularly in the scheme's branding.**

The delivery of smart meter benefits would ideally sit within a broader energy reduction consumer engagement programme. We do not understand why it is not sitting within the new Energy Efficiency Deployment Office created within the department. There are many synergies between the smart meter roll out and the delivery of the Green Deal and these will not be seen as separate entities in consumer's minds as they do not separate out energy into policy siloes. We look forward to hearing from DECC about how these policies will interact more seamlessly and effectively in the future.



## Response to selected questions

Below we respond to selected questions in the consultation.

### **1. Are these the right aims and objectives against which to evaluate the Government's consumer engagement strategy for smart metering? Please explain your views.**

Green Alliance supports the high-level objectives for the consumer engagement strategy as currently drafted in paragraph 1.3, however we do not feel that the current strategy will deliver these objectives as drafted. Second we believe that clear KPIs should be set underneath these objectives for measuring progress against. These should reflect the numbers needed to deliver the schemes benefits.

To ensure these objectives are delivered we believe DECC needs to look again at the objectives it has set for the CDB and at how other methods of engagement identified in Chapter 2 will be delivered and incentivised.

### **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 should be considered?**

We commend the Department on its evaluation of the literature available on behaviour and energy savings and on the intention behind this section of the consultation and programme.

Whilst we support the list under 3.4 of methods to deliver behaviour change it is in no means comprehensive and comes from a very individual focus, whereas energy use is in many respects a social practise<sup>3</sup> which we cannot separate from our role in society and in communities. As Elizabeth Shove argues the use of energy consuming devices helps us accomplish what we call a 'normal way of life'. Whether it is making a cup of tea in the morning, keeping our clothes clean or checking our email.

We need to appreciate that even a single energy-using act, such as having a daily shower, is the product of a whole mixture of factors. In the case of showering these might include: personal emotions (it wakes me up), social expectations (I have to look smart for work), cultural norms (being clean has come to mean showering daily), structural context (my bathroom has a working shower in it and I can afford the water and heat), and habit.

Therefore to change substantially the way we use energy we need to start addressing how we can achieve some of these social and cultural expectations in a

different way. It is only by looking at social expectations, nationwide cultural norms and structural contexts that we can begin to address energy use. Whilst this is touched upon in DECC's bullet on motivational campaigns to truly engage with this issue, and to work with the social norms in an area, requires a far more complex form of engagement than simply a 'campaigns'.

Green Alliance is also unclear as to who DECC believes will actually deliver these behavioural change tools and why. DECC's current assessment is that direct and indirect feedback on energy consumption should be provided by energy suppliers using data through the In Home Display (IHD) and via billing. It also assumes that real energy efficiency advice will be provided to consumers during the installation of their smart meter in an effective way. However it is not yet clear what motivation energy suppliers will have to provide these services effectively to all customers. If DECC is keen to see these tools used it must both require suppliers to use them, as well as looking at how to incentivise suppliers to really care about energy saving (please see Question 36 for more information on this).

Green Alliance's report *Bringing it Home*<sup>4</sup> looked at the policy levers and activities needed to deliver effective energy savings. Please look at this for more detail.

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

We believe community outreach is essential. For more information please see our answer to Question 20.

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

The main addition to trialling and learning that Green Alliance proposes is to run full scale pilot towns to test consumer engagement and the whole end-to-end process, to ensure the programme is sufficiently 'stress-tested' and its consumer engagement honed before mass roll-out begins.

The *Empower demand* report suggested that media communications should be piloted at scale, along with data and technical communications services, to enable the honing of marketing and education messages and to help avoid future negative publicity.



The idea of a pilot town (or towns) to trial consumer engagement prior to the national roll-out was supported by most attendees at a seminar Green Alliance ran in April, after a comparison with the digital switchover and their valuable use of a pilot town.

Digital UK ran a pilot in Copeland/Whitehaven, involving 26,000 homes, a full year before the switchover began nationally.<sup>5</sup> This tested their entire planned programme of activity on a limited scale. They were able to test which messages and engagement programmes worked and resonated before committing large resources to rolling them out nationally. The pilot enabled them to make significant improvements to the subsequent national programme and helped them to identify and avoid potential inefficiencies.

The concept of a 'smart town' pilot resonates strongly with most stakeholders, including energy suppliers, and is now being actively pursued by DECC through their exploration of an 'end-to-end community trial'. We see clear value in being able to trial consumer engagement plans, as well as the technological and data communications aspects of the roll out, in order to improve services and trial consumer engagement and how best to work with each other in advance of the full scale roll-out in 2014.

To date, one of the main trials involving more than one energy supplier have been the Low Carbon Network Fund trials. These have highlighted the difficulty of trialling one aspect of the roll-out at a time, as their intention to trial data services has been severely limited by the incredibly low access rates they have been able to achieve. Only 2,000 meters have been installed in the London trial so far, out of 83,000 households contacted.

Comprehensive 'smart town' pilots would overcome these kinds of issues, by trialling all aspects of the roll-out at once.

From a consumer engagement point of view a pilot would enable collective testing of:

- CDB's general awareness raising and customer support activity;
- CDB's stakeholder engagement and alignment;
- outreach activity for those who might need more support;
- suppliers' direct communications and support;
- supplier delivery, code of practice and complaint management;
- consumer uptake and attitudes;
- identification of consumer issues and concerns;
- equipment usability;

- follow up energy savings communications, perhaps two to three months after meter delivery;
- the cost impact of a co-ordinated approach, eg the impact on access rates relative to alternative approaches.

In addition, it would enable testing (where possible within the timescale) of:

- the use of smart technologies;
- the trialling of DCC;
- use of demand side products and services and the smart grid,
- conversion of government properties, educational institutions, holiday and transitional dwellings;
- SME communications, uptake and behaviour;
- programme, project, issue and contingency management;
- equipment and data transmission operations.

A pilot would help to build confidence in the process and the ultimate success of the roll-out programme and would ensure the consumer engagement programme can deliver. This will have a critical impact on the success of the smart meter roll-out as a whole. It would also bring about cost savings for suppliers and the CDB alike by offering the opportunity to test their proposed plans before national commissioning and by allowing a more effective consumer engagement operation from day one, thereby increasing the chance of a smoother, more successful roll-out.

Clear SMART objectives need to be set for the pilot for accurate success measurement. Once the pilot has taken place the shadow CDB should assess both these and the cost/benefit of this kind of approach on access rates and energy reduction in comparison with individual supplier activity.

#### **Timing of pilot**

The best time to undertake a pilot to enable effective feedback consumer engagement would be in winter 2013. Winter is a more salient time to engage people on energy saving, although it must be noted that the real roll-out will be all year round, and a winter 2013 pilot would allow sufficient time to integrate lessons into the first draft of the CDB's consumer engagement plan, currently due in the first quarter of 2014.

Undertaking a winter 2013 pilot would require a shadow CDB to be established in order to run the pilot by the end of 2012. This shadow team does not need to be large (the Digital UK pilot was run by six people) but it does need expertise.



Following on from the initial pilot, we support the idea of a 'controlled market start up', currently under discussion by officials, with three full pilots to be carried out in the three DCC regions prior to full-scale national roll-out. This would allow complete end-to-end testing when all systems are in place and would ensure that any teething problems were contained and could be managed. However it must be noted that it would not be possible to fully harness the consumer engagement aspects of a trial if the controlled market start up proposition were the only pilot town trials. This is because there would not be time to learn from and realise the costs savings, efficiencies and benefits of co-ordination that a well-planned, timely pilot would offer at an earlier date.

#### **Location for pilot selection criteria**

There should be criteria agreed amongst stakeholders via the CDB to help with the selection process for any pilot town(s). It would also be useful to test the impact of smart metering dovetailing with community programmes. For example, local fuel poverty schemes or low carbon programmes.

Considerations for the location of a smart meter pilot should include the following:

- mixed demographic (especially vulnerable people)
- mixed housing and SME stock
- preferably all of the big six and some smaller suppliers active in the area

The presence of as many different suppliers as possible in the area is especially essential, as it will provide some sense of the different marketing materials that might be used, enable assessment of the impact on consumers of receiving multiple messages from different organisations, and test the impact that co-ordinated supplier installation can have on costs, public satisfaction and consumer engagement.

#### **Funding**

By way of a benchmark, the Digital UK pilot cost £1.7 million, of which £1 million was spent on the pilot Switchover Help Scheme, which provided equipment to vulnerable people. The smart meter roll-out is unlikely to include anything along these lines, so the costs of a smart meter roll-out pilot is likely to be considerably less.

Ofcom spent £283,000, which covered funding a consumer tracker survey (£93,000) and evaluation by consultants. Digital UK spent a total of £428,000, of which £270,000 was to cover the cost of the team responsible for the overall management of the project and £158,000 on communications and assistance.



As with the cost of setting up the CDB, the cost for running the pilot should be raised by the big six energy suppliers as a key part of the smart metering programme.

**5. What are your views about the desirability of the Programme, or other independent parties, making available information on different supplier's installation packages and their impacts? When might this best be introduced?**

For the CDB to enable effective engagement with consumers it needs to have as much feedback as possible on what works and doesn't. Therefore suppliers should be required to report back to the CDB and the programme on the effectiveness of their approaches, both in engaging consumers in accepting smart meters, and in delivering energy savings.

As 40% of the scheme's business case, and £4.6 million of benefits, are to be delivered by energy savings arising from smart meters and associated activities, we feel it is essential that the ongoing successful means of delivering these benefits is shared so as to be sure that it can be replicated and maximised. We do not feel that commercial confidentiality should get in the way of delivering one of the scheme's primary objectives.

**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?**

Yes, we think the establishment of a centralised engagement programme is essential to delivering the success of the smart meter roll out. We do not believe there are any other practical alternatives.

**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?**

Yes the suppliers should be obliged by license to establish and fund a Central Delivery Body.

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Green Alliance thinks it is essential that suppliers be required by license to establish this role to give security and regulatory underpinning to the CDB's position.

This was another of Digital UK's key learnings from their own set up<sup>6</sup> as regulatory commitments will signal the cross-departmental and regulatory support that exist

for the CDB and ensure that it will exist in unequivocal terms. It will also give certainty that the CDB will continue to exist until the end of the programme.

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

The CDB's objectives need to be strengthened and clarified. We would like to see clearer objectives on supporting energy reduction and in supporting third sector partners (community outreach).

The CDB has three proposed primary objectives:

- To promote consumer awareness and understanding of the use of smart metering to deliver behaviour change and energy saving;
- To provide necessary extra support to vulnerable, low income and fuel poor consumers to help them achieve benefits; and
- To build consumer support for the roll-out by building confidence in benefits and providing reassurance on areas of consumer concern.<sup>7</sup>

These objectives do not provide the CDB with sufficient clarity and require clear success criteria and key performance indicators (KPIs) to ensure that Ofgem can hold the CDB to account if it is not delivering. This will require the CDB (and Ofgem) to have sufficiently frequent feedback to enable improvements in the programme to be made. The list of activities under 4.33 would make a far clearer list of objectives than those currently proposed.

We focus here on delivering energy savings and community outreach, which we see as crucial objectives for the CDB, and which are key areas of debate.

**Ensuring the CDB supports consumers in energy saving**

The CDB's role in actively supporting customers to reduce energy use should be clearly laid out. The CDB should be required to support customers for a set period of time beyond their meter installation (for one year, for example) and to carry out research and share best practise on this subject.

40% of the scheme's business case, and £4.6million of its benefits<sup>8</sup> are dependent on consumers reducing their energy use. DECC acknowledges that "encouraging households to use less energy does not align with suppliers' commercial interests and therefore checks and balances to reflect wider interests within any central delivery mechanism [will] be important." If the consumer engagement strategy is to achieve its objective of delivering behaviour change and energy saving, the CDB will



need to take responsibility for this aspect, as energy suppliers lack a commercial incentive to do so.

DECC should stand firm on ensuring that supporting *all* consumers with energy saving remains a primary part of the CDB's objectives. Suppliers are likely to challenge this role saying they will fulfil the function of providing advice on reducing energy use via their one-to-one engagements with customers. Or they will argue that a CDB focus on reducing energy use and behaviour change will confuse things by putting out multiple messages at the same time, rather than simply focusing on the installation of meters. This is because suppliers have no incentive to ensure energy savings happen, in fact they have all the incentive to ensure it doesn't happen.

The evidence supports the CDB having a role in energy saving, showing that multiple interventions from multiple partners will increase its effectiveness, as both the *Empower demand* report and an assessment of over 57 residential smart metering programmes found.<sup>9</sup> A foundation of engagement from the CDB, and from its agents, will be an essential part of achieving behaviour change and will reinforce efforts from suppliers.

To ensure there is an appropriate level of focus on the objectives of delivering behaviour change and reduced energy use, DECC should be far more prescriptive about what it would like to see the CDB doing and clarify what it means by this objective in practice. This could involve two core activities:

- carrying out research and tracking attitudes as to how to deliver effective behaviour change (the results of which should be shared with all suppliers); and
- implementing campaigns to encourage and support all consumers in reducing their energy use.

There are valid arguments about the sequencing of messages from the CDB and not confusing the practical need to gain access to people's homes in order to install smart meters with the broader behaviour change communications effort. Acknowledging this in the way different aspects of consumer engagement are approached will help to build buy-in among a wider group of stakeholders. If the CDB were to focus on encouraging the uptake of metering first, and subsequently focus on engaging consumers with behaviour change, there is likely to be wider stakeholder support for its dual remit. This will be easier if there is a geographic or area-based approach to the CDB's activities (for more on this see Question 20).

#### **Supporting third sector outreach**

Whilst in paragraph 4.43 DECC states that it expects the CBD to have a key role in facilitating co-ordination with third party trusted intermediaries it does not carry through this requirement into the CDB's objectives.

We believe that supporting third sector outreach is such an essential part of the CDB's role (for reasons expanded upon in Question 20) that it should be made an explicit part of the CDB's objectives. This is especially important because many energy suppliers do not want the CDB to carry out this role as they wish to establish their own bilateral third sector partnerships. These partnerships are unlikely to be as effective or comprehensive as those established centrally (again for reasons please see Question 20) particularly in the realm of supporting consumers in saving energy.

DECC should make supporting third sector stakeholder engagement with the smart meter roll-out a core part of the CDB's remit, to ensure that it spends time engaging, training, co-ordinating and communicating with third sector partners and maximising their effectiveness in the smart meter roll-out.

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

We agree with DECC's assessment that the CDB should take an evidence-based approach to the activities it undertakes to ensure it meets its objectives.

We would support the list of activities as DECC has drafted under 4.33 as to the kind of activities we would like to see the CDB undertake. In addition we would like to see it offering the following:

- An independent hotline for information and support services around smart metering installation and impartial advice on energy efficiency measures and how to cut energy bills. Inadequate complaint handling and customer service was identified by the Californian regulator as a key contributory factor to the public backlash against PG&E smart meters in their independent report.<sup>10</sup>
  - A service showcasing best-practise projects and shining a spotlight on individual customers who have taken action and benefitted to encourage others to do the same. This best practise should inform the reviews of the various Codes of Practise in place and the CDB ongoing engagement programmes.
  - A tailored service for low income and vulnerable customers to ensure the delivery of smart meters is co-ordinated with other local and national assistance schemes.
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**10. Do you have any views on mechanisms for monitoring progress and holding suppliers to account in delivering objectives?**

Clear S.M.A.R.T. objectives and key performance indicators should be established for the CDB that should be reported against regularly. For this to be possible the CDB will also need clear information about how successful its activities are being in terms of improving access rates for meter installations and encouraging energy saving. This information can only be provided by suppliers and so will need to be provided to the CDB on a regular basis, probably quarterly and following any campaign on a community or area basis. This will also allow the CDB to make regular improvements to its activities.

DECC should place a clear requirement on suppliers to report back to the CDB regularly on access rates and energy savings so that it can be as effective as possible.

To enable the suppliers to be held to account with regards to achieving objectives clear KPIs need to be part of the CDB's remit, so that Ofgem has clear requirements to hold suppliers to account on.

Effective feedback on access rates would provide detail on the following:

- Number of fully compliant smart meters installed and operational;
- Number of full stand alone displays installed;
- Types of meters and technology installed;
- Dwelling types;
- Whether the installation was part of a trial or local project;
- Whether the installation was a result of customer pull or supplier initiated exchange (this is particularly important to assess the impact of the CDB's engagement efforts);
- Customer complaints and satisfaction (alongside independent monitoring of this);
- Compliance with the various Codes of Practices.

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

DECC should set out some level of expectation as to how much it expects the cost of the CDB to be. Then once the CDB's business plan is in place it should ensure that the funding it requires is ring-fenced so that there is no question about its provision at a future date. This is essential in ensuring the viability of the scheme.

The costs of having consumers not engaged with the process of the roll-out will be huge. The Low Carbon Network Fund trials show how low access rates can be (and

therefore how expensive): only 2,000 meters have been installed in the London trial so far, out of 83,000 households contacted. Therefore in any assessment of costs of consumer engagement the counter-factual of not spending sufficient money and therefore not engaging consumers sufficiently should be borne in mind.

**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?**

We think a new Central Delivery Body is essential for delivering consumer engagement.

Green Alliance does not believe that any existing body has the knowledge, positioning or expertise to deliver an effective programme. Radically changing the positioning and branding of an existing body or hiring staff to fill skills gaps is unlikely to provide any cost efficiencies over setting up a new body.

**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? Please explain your views. Do you have any alternative suggestions?**

No, we think that the objectives of the CDB need to be strengthened to be effective and deliver the aims of the consumer engagement strategy. Please see our answer to Question 8 for more detail.

**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?**

Whilst consumer groups and other stakeholders have the opportunity to sit on the CDB's advisory board, current proposals do not include suppliers directly in any area of its governance or oversight bodies. This is for the reason that the low trust ratings that energy suppliers currently have could negatively affect consumer trust and confidence in the CDB.

Whilst this is a valid concern, we feel that excluding suppliers from any governance or oversight role of the CDB could have negative effects on the efficiency and effectiveness of consumer engagement. It will be hard to hold them accountable for the delivery of the CDB's objectives if they do not have a role and a lack of involvement would enable suppliers to distance themselves from the roll-out if it



does not go well. Involving suppliers would also increase the likelihood that they co-ordinate activity amongst themselves and with the CDB.

When considering the nature of their role, we have a concern that giving suppliers too much of a role could lead them to dominate discussions within the CDB and that some could hamper activities that they do not support, such as engaging households on energy efficiency.

There is obviously a balance to be struck: giving suppliers a role whilst ensuring they don't hold too much power, which current proposals are correct to mitigate against. This will require further consultation with stakeholders, but if suppliers are to be given a greater role, there is even more reason for the objectives of the CDB to be more prescriptive in order to ensure it achieves the outcomes that DECC wishes to see.

One potential solution for involving suppliers could be to create a Supervisory Board alongside the Expert Advisory Panel. This could consist of representatives of the six large suppliers, a representative for the smaller suppliers, Ofgem, DECC and representatives of other technical partners in the roll-out.

**17. What role should smaller suppliers have, if any, in setting up a delivery mechanism for consumer engagement? What should the ongoing relationship between small suppliers and the central delivery mechanism be?**

Green Alliance does not believe that smaller suppliers should be required to help set up the CDB but that DECC should explore how to give smaller suppliers a role in its governance. For more information see Question 16 above.

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

DECC should explore how to give network companies and communications service providers a role in the CBD's governance. For more information see Question 16 above.

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**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.**

Green Alliance supports the setting up of the CDB as soon as is possible. We support the timings set out in the consultation paper, but think the CDB would need to be established by early 2013 to be effective in time to set up and run a proper pilot engagement programme (for more information on this please see Question 4). This could be done with the CDB in shadow form but to be most effective it would be better for the full-constituted organisation to be in place. Although it must be noted the team does not need to be large, just experienced.

Green Alliance does not understand why the Expert Advisory Panel needs to take so long to set up. The current proposals see the Expert Advisory Panel only in place by the end of 2013. We see the delay in setting up this panel as unnecessary and that it should be put in place at the same time as the establishment of the organisation to ensure sufficient expert advice is available for the CDB throughout its planning phases.

Prior to the establishment of the CBD we believe more resources should be made available in DECC to respond to negative stories and create a baseline of consumer information. We do not think that adequate resources have yet been assigned prior to the set up of the body within DECC for these purposes. Although the Digital UK campaign is now seen as a huge success it is worth noting that it was initially unpopular. Research indicated that over a third of the UK thought the switchover 'unfair or unjust'. Digital UK took a completely transparent approach and responded clearly and in an upfront way to all negative allegations and took time to respond to every single negative comment in any media form. This ensured that no negative movements got the time or opportunity to gain momentum, as has happened on smart meters in other countries. This is the level of reactive response that DECC needs to be aiming for.

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

It is absolutely essential for the success of the smart meter roll out for the CDB not only to establish an outreach programme, but to have an outreach programme as a clear part of its objectives.

### **The importance of an outreach programme**

As DECC acknowledges in their consultation document, the power of a message is in who communicates it: "although suppliers will have an important role in engagement, third parties such as charities, consumer groups, community organisations, local authorities, housing associations and friends and family can be more effective, credible messengers".<sup>11</sup>



Recent Consumer Focus statistics show that no one group is trusted to deliver information about smart meters or energy saving by more than a third of the population.<sup>12</sup> Effectively harnessing the power of multiple trusted messengers is a major challenge for the smart meter roll-out and is essential to successful consumer engagement. In many cases, individuals will turn to these third sector organisations for information, whether they have a formal role or not. So it is vital that they are informed and able to provide support.

The importance of being able to mobilise third sector stakeholders is also supported by evidence in Green Alliance's report *Neither sermons nor silence: the case for national communications on energy use*<sup>13</sup> which examines six case studies attempting to drive national change programmes. A key learning from all case studies is the value of third sector organisations as trusted messengers in building buy-in to a campaign and the importance of engaging with local stakeholders in a co-ordinated fashion.

The smart meter roll-out could see six or more large suppliers, as well as up to ten smaller suppliers, simultaneously attempting to engage with the same third sector organisations over a period of at least five years. Even large charities will struggle to respond to and maintain this, and it will be harder still for smaller organisations, who will often be more critical due to their greater reach into communities.

Many third sector organisations will struggle to find the personnel or resources to support engagement with the smart meter roll-out, and the expectation that they can do so while managing relationships with multiple suppliers over a long period of time is unrealistic. Digital UK found that even their two programmes (the main communications programme and the help scheme) often overlapped while engaging with external stakeholders, causing inefficiencies and confusion.

There are also risks that stakeholders with significant influence over different sections of the population may not wish to get involved with the individual campaigns of energy companies, as they would effectively be endorsing a particular approach or offer. Discomfort around this is very evident in relation to the Green Deal, where Green Alliance's research found a clear message from community groups that they would prefer to work with a central body rather than support a private company's offer.<sup>14</sup>

Lastly suppliers have very little incentive to ensure the degree of outreach needed to support consumers in long-term energy savings.

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To overcome all of these challenges it is essential that the CDB has a clear remit to facilitate and to co-ordinate engagement with third sector stakeholders.

Likewise it is important that other stakeholders do engage with the Central Delivery Body when required. This is particularly of concern in the case of Local Authorities. Green Alliance's report *Is localism delivering for climate change? Emerging responses from local authorities, local enterprise partnerships and neighbourhood plans*<sup>15</sup> found that as a result of budget cuts and the removal of requirements on local authorities only a third were maintaining their action on climate change, with a third opting out of action altogether. It suggests that climate change work has narrowed, is weak, or absent in 65% of local authorities. Digital UK found that local councils were essential in the digital switchover, they recognise the need for locally specific advice and are a key point of contact for local information for many people.

#### **Degree of outreach needed**

DECC states in paragraph 4.43 of the consultation that 'at a minimum the delivery body could provide a central contact point and collateral for third parties to use'. We do not believe this would be anywhere near sufficient engagement to ensure that third sector organisations are informed, adequate promoters of the smart meter roll-out and energy savings.

The digital switchover provides some important learning in this regard. Digital UK, dedicated significant resources to actively engaging third sector organisations in each of their broadcast regions and this engagement was a critical factor in the success of their programme. Their communication model was a layered one focusing down in extreme depth in each area to ensure that there were agents who could support consumers, particularly those that are vulnerable, at the places they go to, such as in GP's surgeries and the post office.

Digital UK supported these third sector organisations and community groups financially and with training to act as advocates of the switchover message using Digital UK branding and materials. These links were built well before communication with the general public in each region commenced and created an important network of volunteers supporting the programme. There were 400 stakeholder events in London alone and 1-2,000 volunteers recruited in each broadcast region. Using local networks and messengers was essential in creating a sense of momentum and visibility and ensured that consumers had trusted people they could turn to for advice.

Stakeholders often dismiss comparisons with the digital switchover. The switchover is clearly a simpler proposition. It takes place on a region-by-region basis, with a clear cut-off point in each area, giving consumers a date by which to act. Digital UK has overseen the roll-out of both infrastructure and led on consumer engagement and has a far simpler message to promote than is the case with smart meters. It requires one action on a particular date, which consumers can undertake



themselves, rather than requiring access to homes and on-going engagement and behaviour change. There was also a stronger consumer demand for Digital TV, with 66 per cent of households already switched to digital TV services before the switchover.

The smart meter roll-out is a far more complex change programme, where there is little consumer demand for the technology and no obligation to accept it. The process requires householders not only to accept a meter, but to remain at home to let the installer in (potentially twice if gas and electricity meter upgrades are not co-ordinated) and to act in response to the information they receive from the meter. Energy suppliers are also at very different stages in their readiness for roll-out, which is likely to hamper co-operation between them.

However, there are also a number of similarities between the programmes. Both involve a nationwide change programme based on a technological proposition. Both affect every household in the country. Both programmes work with the grain of the market, having been set up and run by the private sector at the request of the government.

Given their similarities, and the fact that the level of engagement required from consumers for smart meters is even greater than in the case of the digital switchover, the depth and breadth of engagement that Digital UK facilitated should be seen as the *minimum* necessary to encourage consumer engagement with the smart meter roll-out.

Whilst DECC expects the CDB to take a central role in this kind of outreach, it is not currently included in the CDB's proposed objectives. Community outreach should be made an explicit and central aspect of the CDB's purpose through its objectives to ensure that it spends time engaging, training, co-ordinating and communicating with third sector partners and maximising their effectiveness in the smart meter roll-out.

#### **How an outreach programme should be delivered**

As set out above, it will be a significant challenge to achieve third sector engagement in a cost effective and efficient manner over the life of the roll-out. This can be overcome by the CDB undertaking some level of co-ordination between supplier activities on a geographical or community basis.

Although we are mindful of the government's decision to take a supplier-led approach to the roll-out, rather than a geographical one, the communications strategy provides an opportunity to recapture some of the benefits that a geographical approach would have provided, without compromising a supplier-led roll-out. In addition to maximising the benefits of engagement with third sector

organisations and avoiding placing unrealistic expectations on them such an approach could help to build a sense of momentum and visibility and enhance community level buy-in to the roll-out, thereby increasing access rates and lowering costs.

Creating a degree of geographical focus to the consumer engagement strategy would also create a sense of urgency in each area, which would help overcome the consumer apathy that will be prevalent due to the extended timescale for the roll out. Frontier Economics has found that a geographical approach would deliver substantial savings through a more systematic approach where suppliers have outsourced their meter installations to the same third parties.<sup>16</sup>

The CDB could run a consumer engagement strategy that has some level of area-based co-ordination, focusing on certain areas at certain times. These geographies could be decided through a form of 'post plan' co-ordination, looking at where the networks and suppliers will be operating at certain times and focusing communications on times when plans overlap in an area, or focusing on areas with a high density of vulnerable or hard-to-reach customers. This would also allow additional savings through joining up with existing and new programmes such as Warm Front and the new Energy Company Obligation.

Energy suppliers would not be required to align their activities with the areas that the CDB is focusing on at any given time but most felt that, if such an approach is taken, it would be a missed opportunity not to capitalise on the heightened awareness of smart meters that would be created. For those suppliers already planning a more geographical approach to their roll-out, there are evident advantages to supporting some level of area based co-ordination of consumer engagement.

## **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?**

Yes. We think it is essential that suppliers are required to share their roll-out plans with the CDB and for the CDB should take them into account when deciding where to focus its activity. This is for one main reason: if the CDB does not know where suppliers are planning to roll-out smart meters it cannot support their plans through targeted activities, nor can it ensure efficiencies by focusing communication on areas where activity will be underway.



With sight of roll-out plans the CDB could identify overlaps and likely pockets of activity and decide where to focus its communications accordingly as per the geographic focus to its communications that we outline above.

Whilst energy suppliers are not currently keen to share their roll-out plans, their objections could be overcome if they only had to share their plans up to a limited timescale, for example, up to one year ahead.

**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?**

Yes. There would be little point in establishing an independent CDB and national engagement programme if it was not given its own brand. This brand should be market tested and developed by communication experts. With clear branding, individuals can recognise the message being communicated even if it comes through a range of media and actors at different times and in different forms. Its success in achieving its objectives has led their evaluation to conclude that any public change programme must be led by national branding.<sup>17</sup>

Branding is essential for a number of reasons:

**a) Building identity**

A brand will give a consistent national identity to the scheme and to the CDB itself. A marketing rule of thumb is that people need to receive a message at least six times a week for it to have any impact or produce a response. Communications on the roll-out need to reach people repeatedly and consistently. A common brand is essential to help achieve this. A review of over 150 household energy efficiency schemes in the USA<sup>18</sup> found that building a common brand at the national and state level was essential to building consumer recognition.

**b) Building momentum and changing norms**

The use of a common brand will be essential for building momentum and a sense of norm about the roll-out. If there is a common brand people will start to see it around them and to notice that there 'is something going on'. This will help them to trust that other people are also having a smart meter installed and that it is a normal thing to do.

It will also affect people's perception of fairness which influences their willingness to take up actions such as energy saving. Research by the Fabian

Society showed that beliefs about fairness can be a power force in driving behaviour. It can move people away from focusing on themselves to the context of a large-scale shared endeavour.<sup>19</sup> John Thøgersen, a professor in economic psychology, explains: "What matters, is what other people do. If you don't perceive that many people are also saving energy, then you [feel] a bit of a sucker, because you lose something without helping the problem."<sup>20</sup> Consistent national branding would help create the idea that people all around the country were saving energy in similar ways.

**c) Engaging third sector organisations and enabling trusted messengers**

There is a risk that stakeholders with significant influence over different sections of the population may not wish to get involved with the individual campaigns of energy companies, as they would effectively be endorsing a particular approach or offer. Discomfort around this is very evident in relation to the Green Deal, where Green Alliance's research found a clear message from community groups that they would prefer to work with a central body rather than support a private company's offer.<sup>21</sup> Therefore having a central brand is essential to ensuring that these trusted messengers are more likely to align themselves with the scheme.

**d) Building trust**

A clear brand could help energy suppliers with some of the issues they currently experience around trust by enabling them to position their engagement with consumers on smart meters as part of a bigger programme. This trust issue already reduces the effectiveness of their efforts around engaging people with energy efficiency and is likely to affect their ability to engage their customers on smart metering. A recent poll by Accenture found that only 16 per cent of people trusted them to deliver messages on energy efficiency.<sup>22</sup> Whilst Consumer Focus research has found a "lack of trust and a widespread negativity" amongst consumers towards energy companies<sup>23</sup> and their most recent research (April 2012) showed that two-thirds of people did not cite energy companies as the entities they would trust to tell them about the advantages and disadvantages of smart metering. Energy companies themselves recognise this barrier, as evidenced by their efforts to address it through partnering with local authorities and other trusted organisations in previous programmes, or using advertising to try and explain why they would want to help people to save energy.

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However it must be noted that branding should not be promoted for its own sake. It is worth realising that Digital UK never focused on trying to increase 'brand



awareness'. They focused exclusively on delivering a message, but always with consistent branding, which is what led to the high penetration of their brand.

The brand should be visible from the point that the CDB starts engagement activities. Any engagement activities should be clearly labelled as part of the central programme. Therefore it should be used for any pilot activities carried out by the CDB. We do not believe the brand should be developed before the CDB is in place as it is essential that it is developed by experts in communication and is only used in association with approved activities.

All stakeholders should be able to use the brand when communicating about the roll-out within defined parameters. The CDB should establish clear guidelines under which circumstances the brand should, and should not be used. Then the brand should be made clearly and easily available for stakeholders to use on their own material, under these parameters.

These parameters should also extend to the use of certain terms around smart metering. The CDB should also develop a clear set of guidelines as to how certain terms around smart metering should be used and should establish some common terms for the technology that all stakeholders should adhere to. Currently, for example, there are multiple terms in use for the In Home Display (IHD) (such as Smart Display, Energy Monitor, Smart Monitor) which is confusing to consumers. The term 'smart' is also being used to describe items that are not 'smart', such as British Gas' EnergySmart<sup>24</sup> programme which again is extremely confusing.

This kind of confusion over language has the potential to undermine the programme as people may believe they have a smart meter installed when they don't. Consumer Focus's research with consumers in April 2012 already shows that many people believe they already have a smart meter when in fact they only have a clip-on display.

If a voluntary approach does not work on the use of this language a stronger approach should be considered.

The CDB should investigate developing particular branding for use on products and services and to show when a product can be used in conjunction with a smart meter. If we look at other national schemes the fact that other stakeholders have been able to use the brand on physical products has been essential for driving awareness. For example the Recycle Now campaign makes their branding widely available for local authorities and others to use which means the brand is used on both physical infrastructure, such as recycling points, as well as on products and in marketing materials. This has led to the brand being highly recognised and trusted. Digital UK created the Digital tick to show when a product was digitally enabled and branding that could be used by both digital platforms and retailers.

It is essential that any brand used should link up with a broader government approach to energy demand reduction, around the Green Deal, Feed-in-Tariffs and Renewable Heat Incentive. We appreciate that such a link-up can add complexity but believe it would provide greater cost-benefit and effectiveness in the long run. Consumers do not tend to think about energy use in itself, nor in policy siloes. Therefore any Green Deal helpline is likely to get calls about smart meters and visa versa. We therefore strongly recommend that an overarching brand is developed that covers the broad range of Government's energy policies, like the 'smart' brand used in Queensland across a variety of sectors, Smart Homes, Smart Transport etc. This is described in more detail in Green Alliance's recent report *Neither Sermons nor Silence: the case for national communications on energy use*<sup>25</sup>.

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

We do not agree with the way the objectives are drafted in the license conditions. We believe these objectives should be strengthened in line with the objectives of the Central Delivery Body, for more information on this please see Question 8.

Clear key performance indicators (KPIs) should be built into the objectives to allow Ofgem to hold the Central Delivery Body to account and to take action if sufficient progress towards the objectives is not being made.

**27. Do the license conditions effectively underpin the policy intention of the functions of CDB? Are there any additional functions that you think should be included in the legal drafting? Please explain your views.**

We do not agree with the way the objectives are drafted in the license conditions. We believe these objectives should be strengthened in line with the objectives of the Central Delivery Body, for more information on this please see Question 8.

**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?**

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Green Alliance believes it is essential that Government should alter energy efficiency incentives. Currently energy suppliers are not sufficiently incentivised to really help all consumers reduce their energy use. This is hardly surprising as their business case is built on selling energy. Nor do we believe that households are sufficiently



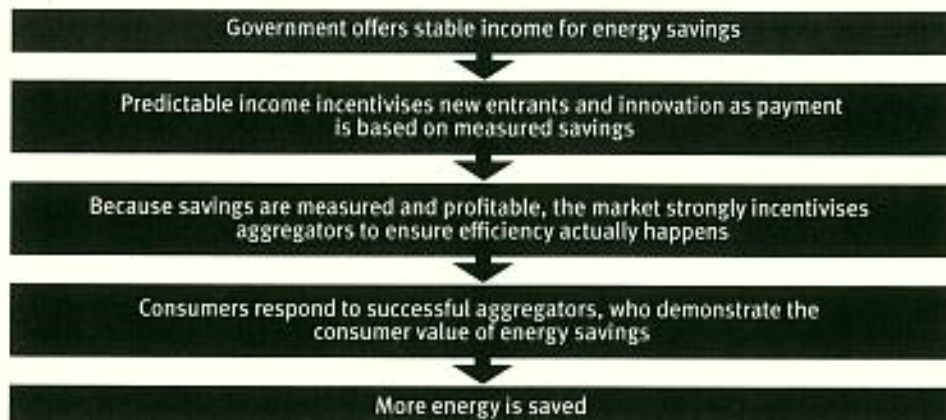
incentivised to reduce their energy use due to the various financial, policy and behavioural barriers that are in their way. Until government reforms the retail gas and electricity markets to enable energy companies and others to make money by long-term energy-efficiency we will not adequately drive energy saving in households.

Experience in places such as California shows that if you shift the incentives of energy companies – so they make as much money by helping customers save energy (or selling ‘negawatts’) as they do by selling energy – then it’s possible to transform efforts on energy efficiency<sup>26</sup>. This kind of market reform quickly unleashes powerful advocates of energy efficiency<sup>27</sup> and means that energy efficiency messages are not swimming against the prevailing tide.

The current proposals on electricity market reform stops short of considering these kind of changes to the retail market. It looks at how demand response by suppliers could be improved, for example looking at ways to deliver short-term reductions in energy demand by managing the grid more effectively. But the introduction of smart meters gives scope to look further at how companies can be incentivised to reduce consumer demand through long-term metered efficiency measures in homes.

Green Alliance has proposed one way that such an incentive could be introduced for electricity through our paper *Decarbonisation on the cheap: how an electricity feed-in tariff can cut energy costs*.<sup>28</sup> This proposes the introduction of a demand-reduction electricity feed-in tariff to mirror the supply-based feed-in tariffs they propose. This would be through a simple change which would not delay the implementation of the electricity market reform package, and would deliver a readily understandable mechanism to drive new entrants and competition into the electricity market.

This feed-in-tariff would work by creating a steady bankable stream of income for consumers who can demonstrably reduce demand. This will allow electricity consumers and aggregators to focus on demand reduction measures by managing predictable financial flows. Instead of determining the contract volume by metered output of electricity generated, the volume would be determined by metered output saved. A summary of how it would operate is shown below:



The benefit of this approach is that it doesn't prejudge the means by which energy aggregators find ways of saving energy. Instead, by providing income certainty to businesses which actually reduce energy demand, this mechanism means that potential energy aggregators don't need to be existing utilities, have a deep understanding of electricity trading, or have large capital reserves. Whilst energy suppliers would obviously be incentivised to save energy, other non-energy specialists could also enter the market. An aggregator can very simply forecast income and expenditure on energy saving measures, and use this certainty to focus their business model on delivering better consumer engagement to encourage energy saving, securing financing for longer term energy saving, and increase the market for energy saving measures. This approach harnesses the power of the market to drive innovation in energy saving.

Additionality and verification can be addressed by a clearly defined mechanism based on actual, metered savings. To use measured savings, meter readings are needed from both before and during the period of the efficiency programme. To demonstrate savings, meter readings would need to be benchmarked against two baselines. The first is historic data from an energy consumer or group of consumers, taken over the course of a defined period, which could provide a baseline for comparison. Smart meters would enable the collecting of this data.

A second baseline is used by Opower to demonstrate savings in the United States. This involves randomly selecting statistically equivalent groups of electricity consumers and benchmarking consumers who receive efficiency advice against those who do not over the period of the efficiency programme. The difference between consumption in these groups is then analysed using several independent statistical methods to identify reductions.<sup>29</sup> This rolling baseline is used to benchmark actual, measured savings.

Using such a measurement and verification framework would make managing interactions with other demand reduction policies like the Green Deal relatively



straightforward. Because the Green Deal will use a list of acceptable technologies and will include an assessment of the likely amount of energy saved due to the installation of these measures, savings attributed to their installation could be excluded from reductions rewarded by an efficiency programme. This would not involve significant additional effort as these figures are needed for the purposes of the Green Deal in any case. In practice, because the Green Deal is focused on heating and insulation, interactions with an electricity efficiency policy would be limited. Interactions with the Climate Change Agreements could be managed using a similar mechanism.

Green Alliance  
1 June 2012

## Endnotes

<sup>1</sup> <http://gigaom.com/cleantech/pges-smart-meter-report-a-case-study-of-infrastructure-over-customer/>

<sup>2</sup> *ibid*

<sup>3</sup> McMichael, M, 2007, *A social capital approach to energy consumption*

<sup>4</sup> R Phillips and S Rowley, March 2011, *Bringing it Home: Using behavioural insights to make Green Living policy work*, [http://www.green-alliance.org.uk/grea\\_p.aspx?id=5602](http://www.green-alliance.org.uk/grea_p.aspx?id=5602)

<sup>5</sup> Digital UK, May 2008, *Report on the first digital switchover: Whitehaven/ Copeland, Cumbria*, [http://www.digitaluk.co.uk/press\\_office/reports](http://www.digitaluk.co.uk/press_office/reports)

<sup>6</sup> DigitalUK, 2010, *DigitalUK's Ten Transferable Lessons from the UK's Digital Television Switchover Programme*

<sup>7</sup> DECC, 2012, *Smart metering implementation programme – consumer engagement strategy: consultation document*

<sup>8</sup> DECC, 2011, *Smart meter roll out for the domestic sector: Impact Assessment*, <http://www.decc.gov.uk/assets/decc/Consultations/smart-meter-imp-prospectus/1485-impact-assessment-smart-metering-implementation-p.pdf>

<sup>9</sup> ACEEE, 2010, *Advanced metering initiatives and residential feedback programmes*, <http://bit.ly/eSTi6p>

<sup>10</sup> Structure, 2010, *PG&E Advanced metering assessment report* commissioned by the California Public Utilities Commission

<sup>11</sup> DECC, 2012, *Smart metering implementation programme – consumer engagement strategy: consultation document*

<sup>12</sup> Consumer Focus research in January 2012 found that no group was trusted by more than a third of respondents.

<sup>13</sup> R Phillips and F Scott, 2012, *Neither sermons to silence: the case for national communications on energy demand reduction*, Green Alliance

<sup>14</sup> Green Alliance, 2012, *Getting a good deal from the Green Deal: Views from communities*, [http://www.green-alliance.org.uk/grea\\_p.aspx?id=6228](http://www.green-alliance.org.uk/grea_p.aspx?id=6228)

<sup>15</sup> F Scott, 2011, *Is localism delivering for climate change? Emerging responses from local authorities, local enterprise partnerships and neighbourhood plans*, published by Green Alliance, [http://www.green-alliance.org.uk/grea\\_p.aspx?id=6100](http://www.green-alliance.org.uk/grea_p.aspx?id=6100)

<sup>16</sup> Frontier Economics found that the unit cost of reading 'dumb' meters increases as the density of dumb meters in the market decreases. A geographically co-ordinated roll-out allows suppliers to reduce the extent of this problem, as, while smart meter installation is concentrated in one area, the density of 'dumb' meters in the other areas is maintained, allowing the minimisation of travel time. This results in assumed savings of £456m under the RFM. Installation cost savings are lower at £95m, partly because we have not sought to additionally quantify the benefits associated with a dual fuel roll-out as part of this work. This is in Frontier Economics, 2007, *Smart metering: A report prepared for Centrica*, <http://www.frontier-economics.com/europe/en/publications/180/>

<sup>17</sup> DigitalUK, 2010, *DigitalUK's Ten Transferable Lessons from the UK's Digital Television Switchover Programme*

<sup>18</sup> M Fuller, 2009, *Enabling investments in energy efficiency: a study of programs that eliminate first cost barriers for the residential sector*, Efficiency Vermont

<sup>19</sup> T Horton and N Doran, 2011, *Climate change and sustainable consumption: What do the public think is fair?*, Joseph Rowntree Foundation

<sup>20</sup> Professor John Thøgersen from the Aarhus School of Business and Social Sciences, quoted in J Porritt, 17 November 2011, 'Dysfunctional politicians and the power of brands' *Guardian* [online] available at: [www.guardian.co.uk/sustainable-business/power-brands-consumer-behaviour](http://www.guardian.co.uk/sustainable-business/power-brands-consumer-behaviour) last viewed 10 April 2012

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<sup>21</sup> Green Alliance, 2012, *Getting a good deal from the Green Deal: Views from communities*, [http://www.green-alliance.org.uk/grea\\_p.aspx?id=6228](http://www.green-alliance.org.uk/grea_p.aspx?id=6228)

<sup>22</sup> Accenture, 2010, *Achieving High Performance in the Home Energy Services Market*

<sup>23</sup> Consumer Focus, 2011, *Informing Choices: Consumer views of energy bills*

<sup>24</sup> <http://www.britishgas.co.uk/products-and-services/gas-and-electricity/energysmart.html>

<sup>25</sup> R Phillips and F Scott, 2012, *From sermons to silence: the case for national communications on energy demand reduction*, Green Alliance

<sup>26</sup> For more information see the Californian Energy Commission website: <http://www.energy.ca.gov/efficiency>

<sup>27</sup> See the Flex your power campaign: <http://www.fypower.org/>

<sup>28</sup> Green Alliance, 2011, *Decarbonisation on the cheap: how an electricity feed-in tariff can cut energy costs*, [http://www.green-alliance.org.uk/grea\\_p.aspx?id=6082](http://www.green-alliance.org.uk/grea_p.aspx?id=6082)

<sup>29</sup> Connexus Energy Ramsey, 'Measurement and verification report of OPower energy efficiency pilot program' (July 2010) Available from [http://opower.com/uploads/library/file/14/power\\_systems\\_engineering.pdf](http://opower.com/uploads/library/file/14/power_systems_engineering.pdf)