



Smart Metering Implementation Programme
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Smart Metering Implementation Programme – Consumer Engagement Strategy

Thank you for providing SSE and SGN with the opportunity to comment on the proposals set out in the above consultation. We welcome the continuing engagement with the Smart Metering Implementation Programme. I have set out our response to each of the questions in the attached appendix.

Please call me if you have any questions

Yours sincerely

Regulation

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.

It will be difficult for a central engagement body to commit to deliver energy savings. They have the ability to educate, promote and encourage an energy saving culture within the public, however the public must commit to managing energy to make savings. In addition, "helping" customers to use smart meters is a role for the supplier as part of the suppliers' service information and customer communications plans.

SSE would suggest that an additional aim is to affirm with the public that the roll out of smart metering is a Government policy initiative and that all domestic properties must have a smart meter installation by 2019. The reason for this is to encourage the public to grant access to properties to facilitate installation.

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?

The drivers highlighted in paragraph 3.4 are relevant, however the key is getting customers to engage with energy management, perhaps in the same way as they engage with online banking and money management. Recognition of engagement and incentivising the initiation of engagement are both appropriate and necessary and can be combined to drive response and ultimately energy saving. The general direction of the focus is correct however the point about "market levers" in relation to regulatory measures requires further clarification.

It may be prudent to pay particular attention at this stage to prepayment customers who will see a step change in the service they will receive with a smart meter. Real time financial information including multiple payment options via the IHD will act as a key driver for these customers to both want and engage with a smart meter. Distinct messaging would therefore be appropriate for this significant 6.5m customer group and relevant experts across all suppliers and stakeholders should be engaged to address this important issue. As there is the possibility of increased demand for smart metering from this group the timing of the roll out to them should be reviewed in order to ensure suppliers are able to meet the demand.

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

SSE would support this approach. This could be driven by energy suppliers, however the scale of this task should not be underestimated in terms of cost, planning and implementation not to mention the human resource commitment that would be required. Community outreach will be particularly beneficial in engaging with vulnerable customers.

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

3.18 Box 1. The point relating to sales of related goods and services requires absolute clarification, particularly in relation to:

- The provision of service information to customers at point of installation. Whilst it is clear that sales closure is not permitted the supplier must be able to explain the availability of smart metering tariffs and how they work as this will form the very foundation of customer benefit relating to the smart meter. There should be a focus on taking every opportunity to engage with customers to ensure they are on the best tariff and encouraging the take up of energy efficiency measures including Green Deal. Whilst the sale should not be made at this point we should not under estimate

this as an opportunity to truly help and engage with customers, particularly those who are vulnerable and may be less likely to proactively contact their energy supplier

- Installers should be permitted to respond to questions or queries regarding a customer's smart meter and energy efficiency measures in an advisory capacity and make the customer aware of the commercial solutions that are available relating to their enquiry. They should be able to establish a follow up route that may lead to sales out with the period of smart meter installation. The key in this is that the customer experience should not be damaged by restricting conversations around service information and energy efficiency measures that are likely to be as much initiated by the customer as the installer.

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?

In relation to paragraph 4.1.7 the Programme must avoid any activity that might encourage customers to delay the smart meter installation as this will increase delivery costs. Activities that could increase customer confusion should also be avoided. The proposal to differentiate between suppliers' smart metering installation packages does not fit with this view and therefore SSE does not support this approach.

The educational journey that takes a customer from a non-smart world to a smart world in an engaged way is complex and detailed. Set against a background of other unrelated messaging and distractions that compete for the customer's time and attention gives context to the challenging environment suppliers and the Government face in the quest for a successful consumer engaged roll out. Adding another layer of explanation and choice for the customer at this stage would have a disengaging effect as it adds unnecessary complexity and length to the customer journey.

Such comparisons and customer choice should sit within the normal healthy competitive environment enjoyed by customers and suppliers alike, and can allow the customer, over time, to decide on a supplier based not only on the installation package, but on the post installation customer experience and the broader energy propositions and services offered by respective suppliers.

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?

SSE agree that a centralised programme of engagement is the best way to assist in the education, promotion, motivation and to address concerns of the public regarding the smart metering roll out. However, its establishment should not be seen as driven solely by suppliers. For reasons of credibility, Governmental, Ofgem and consumer body (and perhaps others) engagement should be seen to be evident so that the output of such a programme will be fully trusted by the public. Ideally the Government could establish a foundational credibility to the body by seed funding the initial set up, with further consultation on the source of further development funding required subsequently, whether this be from Government, suppliers or other stakeholders or a combination of these.

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?

SSE would advocate a voluntary approach. We believe that as suppliers will be obliged via licence condition to complete the smart rollout prior to the end of December 2019, this will

provide enough of an incentive to introduce a CDB in order to assist with smooth delivery. We also consider that the establishment and funding should be voluntary but subject to a fixed time frame under set objectives. Following a review of objectives DECC can take a view whether or not to set a condition.

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

The objectives are appropriate however there should also be an additional clear objective to communicate the need for the public to co-operate and allow access to the home to facilitate installation. Central to this is to communicate the fact that this roll out is essentially the implementation of Government policy not an energy supplier policy. This will assist in the efforts to motivate people to prioritise access to their homes for installation.

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

The suggested activities are broadly as previously agreed in other forum however there are other activities that should be highlighted:

- The importance of the use of social media to create customer champions.
- The generation of positive PR and the mitigation of negative PR in all its forms.
- An emphasis on Government policy as mentioned in our response to question eight above.

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

Accountability rests with the CDB as it is an entirely separate body. Whilst suppliers clearly have a large input into the CDB, they must remain at a distance which allows them to give and accept constructive criticism both of and from the CDB. This will ensure the credibility of the CDB. Other groups such as DECC, consumer groups and Ofgem will also have varying degrees of input and therefore accountability.

As campaigns progress, research monitoring can measure heightened awareness and therefore delivery against objectives, as can home access rates and understand regional differences.

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

This requires campaign planning and is derived by conventional methods of looking at required audience reach against the volume and type of media and other activities required to reach that audience effectively. It is largely a marketing and media planning exercise with the addition of appropriate call centre and third party support costs. The budget needed to achieve the required reach will then fall out of this process.

The costs of establishing and running the CDB therefore need to be sufficient to service the public response from the campaign activity and that of PR, community engagement and other related initiatives.

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?

A new central body has the benefit of being truly new and completely bespoke in its approach and its IT and back office systems. However with this comes start up costs and additional staff and training costs.

An existing body has the benefit of a ready made infrastructure that can be expanded to meet the demands of smart rollout. However, this will only work if staff are dedicated to their role in relation to smart rollout and do not have other roles to perform. One suggestion was that the EST could be a potential solution, however, this would need to be fully investigated as it is now a commercial organisation.

13. Do you think the objectives and activities of the Central Delivery Body described here will help deliver the aims of the consumer engagement strategy (see paragraphs 4.32 – 4.33)? Please explain your views. Do you have any alternative suggestions?

Yes, there is synergy between activities and objectives and the operation of a central body is the best option for raising general awareness and public support in a credible co-ordinated way, allowing suppliers to undertake their own engagement strategies with their own customers.

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

The Programme should wish to attract a credible and knowledgeable chair with experience of cross industry stakeholder management and a close link to both the public and central government through experience.

This is a major national mobilisation of activity that literally affects every member of the public in a very tangible and beneficial way. Given this level of importance and positioning the Programme should be able to attract candidates with relevant experience to all key positions.

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, the activity of the CDB is completely non competitive. Energy suppliers may perhaps sit on the CDB board, and have a voice and voting rights, but the control and decision making does not rest with suppliers alone. Their input relates to advising on the activities of the CDB to meet its proposed objectives stated elsewhere in the consultation document. No competitive advantage or disadvantage is envisaged. There may also be a case to be made for Energy UK having a role in the set up of the CDB. However, SSE would wish to retain the facility to make independent approaches to the CDB as necessary.

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?

Provided there is clear independence for the CDB then the suggested governance framework should be robust. Clearly, suppliers, consumer groups, DECC and Ofgem will play key roles. There may also be a need to appoint non executive directors to bring a wider experience to the CDB.

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?

SSE believes that small suppliers should be able to table an advisory input in the interest of inclusion and credibility, however there is perhaps an implication that some funding should be forthcoming from small suppliers if they wish to have a more formal input to the CDB, but the funding issue would not itself preclude their input.

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

The natural point of contact for a customer is generally their supplier and taking this approach should maximise simplicity. However, if there are cases where network involvement in the CDB would help with safe delivery of the programme this should be judged on its merits. Currently, it is SSE's view that the network companies should not sit on the board of the CDB but possibly act as technical advisers to it.

In addition we need to consider the fact that in a number of cases networks shall have to undertake work to facilitate the smart meter installation e.g. to lower a cut-out to make room for a larger electricity smart meter. It would be helpful if the Energy Networks Association could provide support and guidance and to provide responses to FAQs etc

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.

These timescales are not unreasonable however they must be driven by supplier readiness.

The CDB must be a scalable entity which is flexible enough to grow as the pace of rollout dictates. Initially it would start very small and add to its resource in a controlled but timely way in line with mass roll out. It is essential that its work, until suppliers have developed a robust national capability, does not of itself generate demand for smart meters from the public as there is a danger that suppliers may not be geared up to meet such demand. Such promotion should be judged by engagement with suppliers as various constraints (e.g. technical, WAN availability, field resources etc.) may be applicable in the early roll out period.

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

This initiative could have some limited value however there is a danger that considerable drain on resource of the CDB could result. Third party relationships are time consuming to manage and difficult to control. In areas where a potential partner is not in any way related to the energy industry the commitment to efficient delivery of services on the ground, whether it be of display collateral and so on can be impossible to manage leaving a poor impression with the public. This should be limited to information packs for libraries, local authorities, CAB etc. Such bodies could contact a dedicated helpline at the CDB on behalf of customers where appropriate.

Should the CDB adopt a community engagement roll out strategy across the UK under its own brand it should perhaps publish the community programme so that energy suppliers can see if it fits with their geographic roll out plans with a view to alignment where possible.

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?

This should not be a requirement as such plans are subject to regular change and may be commercially sensitive. Again, there may be cases to promote any limitations that occur, particularly in the early stages of roll out, when general limitations may occur as services and technologies are developed. We suggest that suppliers should have dedicated telephone numbers for smart related enquiries so that the CDB can advise callers to speak to their supplier, whenever appropriate, and provide the contact numbers.

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, SSE is very supportive of this approach. As DECC has stated within paragraph 4.45 the rollout should be positioned as a national programme.

However, there may be some merit in suppliers being allowed to use the CDB brand in general communications, to educate their customers on smart metering and on other smart communications as a message reinforcement tool in support of the work of the CDB. Use should be prohibited on general marketing communications unrelated to smart metering and on commercial campaigns aimed at acquisition or retention of customers or anything linked to overt selling as this may damage the credibility of the CDB. A set of business rules relating to this could be established to provide guidance.

23. Do you agree that the licence conditions as drafted in Part A effectively underpin the policy intention to require energy suppliers to form a Central Delivery Body? Please explain your views.

As noted previously, SSE would advocate a voluntary approach. In addition suppliers should not be expected to fund such a body under a licence obligation and remain completely detached from it.

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?

Yes, however we do not consider that licence condition Q.12 (b) is required under Part B. SSE believes this could effectively exclude a number of potential board members that contain the relative expertise. As is currently the case within industry, other central bodies contain members of industry who are expected to act independently of their employer and this has been proven to work effectively.

Also, SSE believes that in order to maintain consumer confidence and prevent the possibility of criticism members and directors should perhaps be widened to include nominations from other bodies for consideration.

We would also re-iterate our response to Q23 above regarding funding and detachment.

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

Yes, however as we have stated previously, we would support an approach whereby the CDB is required to maintain that the rollout of smart metering is a Government initiated programme as to allow for increased trust within the consumer base.

The CDB should also be more proactive in creating positive PR message rather than simply reacting to those raised within the media etc.

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?

Yes, the Secretary of State should agree the process for appointment. However there needs to be much more detail on the skill sets required to deliver a genuinely expert and broad ranging experience base. The current description in Q.20 (b) 1- 4 is too general. A board structure with representation from consumer groups (including vulnerable customers) and other relevant positions should be defined.

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

Yes, however we believe that should the CDB wish to make amendments to the Consumer Engagement Programme the CDB must be required to consult with the 'Relevant Suppliers'. As the CDB will effectively be fulfilling a licence condition on behalf of the suppliers, they must be consulted upon any changes the Consumer Engagement Strategy otherwise they cannot be held accountable for any failings.

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

Yes, however we believe that supplier funding for the CDB remains a concern. The Programme intends to maintain the CDB as an independent body (in terms of its corporate) structure then funding must be wider than suppliers only. This will help ensure the credibility of CDB.

29. Do you agree that the licence conditions as drafted effectively underpin the other duties of suppliers in relation to the Central Delivery Body? Are there any other duties that should be included? Please explain your views.

Yes, however in order to ensure that the amount of funding that suppliers are expected to provide they should be closely involved in the development of the Annual Budget to ensure the CDB is operating in a cost effective manner that is achieving value for money. As suppliers will have little or no input into the 'boardroom level' decisions that are taken by the CDB it is vital suppliers are involved in the development of the Annual Budget document in order to ensure that costs do not, unnecessarily, spiral out of control.

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, with the exception of the issues we have highlighted in our response to question 29.

31. Do you think there are any consequential changes to existing licence conditions or codes which are needed in order to make the proposed obligations work as intended? Please explain your views.

No, we do not anticipate any subsequent changes at this time, however this has the potential to change as the CDB is developed.

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

SSE believes that micro business consumers will benefit from a similar understanding of the smart initiatives available to the domestic market. However, it is also likely that many of these small businesses will already have experience of the smart rollout through the domestic sector. The promotion of energy management measures will become an increasing focus as businesses such as these recognise the benefits of closer attention to energy saving measures.

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?

Yes, information on smart metering would be useful in the short term. Anything that promotes an energy saving culture is a positive and worthwhile action.

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?

No, SSE would recommend that more engagement and research is undertaken prior to making such a commitment. The CDB should have a focus on domestic customers only given the scale of the task involved. If the Programme considers extending to micro-business consumers as necessary, this should be adopted later in the CDB's life cycle.

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

The current drafting of the licence condition distinguishes between domestic and non-domestic consumers under licence condition Q.18(b). If the Programme decided to remove this entire condition would most likely to apply to domestic and non-domestic consumers, however we appreciate it is not the intention of the Programme to incorporate all non-domestic consumers. The gas and electricity supply licences already contain a provision for micro business consumers which could also be used in this instance.

Also, the Programme would need to review the objectives of the Expert Panel as micro business consumers are not afforded the same protection in relation to vulnerable customers as a domestic customer would be. It would therefore be inappropriate to include this under condition Q20.

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?

SSE would support this approach. This will also assist with the Government's low carbon agenda. We agree that Government should explore synergies with other policy objectives such as the Green Deal, ECO, Carbon Reduction Commitment or other initiatives focussed on the non-domestic sector.

