



**Consumer
Focus**

Campaigning for a fair deal

Consumer Focus response to Smart Meters Programme Consultation on information requirements for monitoring and evaluation

July 2012

About Consumer Focus

Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland.

We operate across the whole of the economy, persuading businesses, public services and policy-makers to put consumers at the heart of what they do.

Consumer Focus tackles the issues that matter to consumers, and aims to give people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

Contents

Introduction	3
Our response	6
Annex 1: Consumer Focus Comments on 'Smart Meter Annual Plans – Draft Structure'	17

Introduction

Consumer Focus welcomes the opportunity to respond to this consultation. This response should be read alongside our informal submission to DECC's previous iteration of the monitoring framework, Consumer Focus Comments on *Smart Meter Annual Plans – Draft Structure* which is in Annex 1.

We support DECC developing a systematic framework for monitoring and evaluation, as this will introduce a greater degree of transparency and accountability into the Programme. We consider that both aspects of the supplier monitoring will be very useful. It is welcome that the Annual Report has a particular focus on costs and benefits to consumers. The requirement for quarterly monitoring is appropriate – the regular intervals will enable DECC to keep up to speed with developments and take timely action if needed in what will be an expensive and time-restricted Programme. However, as always the real value of the framework will be determined by the detail of the licence conditions and related requirements.

It is essential that as part of this process DECC publishes its Annual Report on the progress of roll-out and in particular the costs and benefits to customers. This should be subject to appropriate parliamentary scrutiny. It should report on the Smart Metering Programme's contribution to meeting wider Government targets on carbon reduction and tackling fuel poverty. In particular it needs to include a distributional impact assessment so that it is clear where the benefits and costs fall eg by geographical area, income, payment type, housing type. We also welcome the publication of quarterly reports. This would be good practice.

We welcome the stated focus on understanding the impact on different customer groups. It is essential that DECC ensures that low income, vulnerable and prepayment meter customers in particular access benefits from smart metering. We look forward to further detail on how this will be achieved in practice and hope that it will be captured by Smart Meters Evaluation Data Framework – consumer impacts' scoping project (SMED).

In addition to capturing the number of In-home Displays (IHDs) provided to customers, the quarterly monitoring should also report on the number of IHDs that are sent via the post or accepted, but not set up and demonstrated. DECC should be mindful of lessons learnt from suppliers sending light bulbs through the post to consumers as part of the Carbon Emissions Reduction Target (CERT)¹. We have already heard anecdotal reports of installations taking place without the IHDs, because the supplier has run out of stock. They are then subsequently sent through the post for the customer to set up themselves. There is a risk that customers never use the displays, don't therefore access the benefits of them and that money will be wasted.

As a general point, we continue to have concerns about the Programme's over-reliance on competition to deliver a cost-effective roll-out. We do not share Government's confidence that competitive pressures will ensure that suppliers pass on the savings of smart metering to consumers or carry out roll-out in the most efficient way.

¹<http://bit.ly/NyPXsf>. See also <http://bit.ly/OWlvvm>

It is clear that there are significant cost savings that can be delivered from greater co-ordination of supplier activities yet companies are either unwilling or unable to work together to deliver these in a competitive market². Ofgem will have a crucial role to play in ensuring that savings are actually passed on and we continue to urge Government to ensure that the Central Delivery Body has a role in facilitating greater co-ordination where there are cost efficiencies that can be delivered to customers and tax payers.

We have seen little evidence that Ofgem is focused on monitoring the customer experience and this is a concern. Its Open Letter³ of June is entirely focused on suppliers outlining their deployment plans in order to reach the 2019 roll-out target. While we understand that Ofgem is required to report against the Minister's deadline to install meters by 2019, as an independent regulator, we would expect its focus to be on ensuring that customers benefit from roll-out and have a positive experience. We continue to have concerns that pressure to install meters by a given time will be at the expense of a high-quality installation process. This will ultimately lead to consumers being less engaged with the roll-out, and not getting the benefits of smart metering, which they will nevertheless still be paying for.

Consumer Focus has always advocated for a high-quality installation process, to ensure that consumers have a positive experience of smart metering, are able realise the benefits of smart, have choices about how their data will be used, and are not subjected to unwelcome sales and marketing. New Licence Conditions around data privacy and access, sales and marketing, and many other aspects of the smart roll-out will soon come into force, and Ofgem has a crucial role to play in ensuring compliance with them, as well as existing Licence Conditions related to smart metering. We seek clarity on how Ofgem intends to monitor compliance with these Licence Conditions. We are also keen to understand how Ofgem will ensure a timely response where breaches are identified. The Programme is working to short timescales with high numbers of installations each day. Any delays in enforcement will mean the risk of detriment or loss of benefits to large numbers of consumers.

We are especially concerned that the framework only intends to monitor 'readiness for roll-out' in the Foundation stage. This approach is completely inadequate. For all intents and purposes the roll-out has already begun for many consumers, and by suppliers' own estimates there could be as many as six million meters installed during this period. If the timescale for setting up of the Data Communications Company (DCC) slips, this number could be higher still. Given the large number of consumers affected and the importance of early recipients' experiences to wider consumer engagement, the Programme should begin monitoring costs and benefits as soon as possible. We remind DECC that the distinction between Foundation Stage and Mass Roll-out is an arbitrary one from a consumer perspective. Householders are unlikely to distinguish between whether they get a smart meter in Foundation, or Mass Roll-out stage, nor are they likely to care. It is essential that customers who get a smart meter early are still able to access the benefits and have a positive experience.

² Frontier Economics estimates that the cost of rollout would be almost £3billion lower if it was undertaken on a more co-ordinated basis. While the assessment is based on a network led roll-out some of the costs identified might equally apply. *Less is more? How to optimise the smart meter rollout*. Frontier Economics. Online January 2008. <http://bit.ly/cliQ5S>

³ Open letter: *Regulating the smart meter roll-out: how DECC's proposals for the provision of information to Ofgem might work in practice*, 14 June 2012. Available at www.ofgem.gov.uk