We appreciate that the monitoring and evaluation framework will result in an increased workload for smaller suppliers, which is harder for them to support. However, Consumer Direct data shows that one or two smaller suppliers currently installing advanced meters are responsible for a disproportionately high number of consumer complaints[4]. Again customers and the media are unlikely to make the distinction between the big six energy companies and smaller companies[5] and customers of all suppliers should have the right to a positive experience. We therefore strongly recommend that smaller suppliers be obliged to submit information on their consumer engagement plans, and also information about the installation itself. For example, this should include whether the installation was fully completed; (more information about this can be found in our response to Question 4).

The consultation makes frequent reference to evaluating and tracking benefits, which is very welcome. However, DECC has yet to clearly state a vision of what it expects the consumer benefits to be, both monetised and non-monetised. It is important to develop this and include these as soon as possible in the monitoring framework, rather than capturing them if and when, after the event. Without a clear vision of what benefits will be delivered for consumers, there is a risk that opportunities will be missed.

Finally there is still a gap in the testing and trialling being carried out of smart metering. We continue to have concerns that the Programme is overly reliant on supplier data which may not always be reliable.

In particular independent trialling is needed for areas that suppliers may be less likely to prioritise, such as the experience of time of use, prepayment, or vulnerable customers, or the cost benefits of greater co-ordination. We continue to advocate for a smart town trial to pilot the impact of greater co-ordination of company activity and consumer engagement and outreach. Without this, DECC will not have a meaningful bench mark against which to measure what is efficient and cost effective roll-out.

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[4] Confidential reports of calls to Consumer Direct are provided to DECC and Ofgem on a regular basis.

[5] A recent article in the Guardian illustrates the issues that some early adopters of smart meters have faced: **http://bit.ly/NZUXvR**

Our response

1) Do the licence conditions, as drafted, deliver the policy intentions set out above – for example, to create a consistent, predictable and proportionate framework for monitoring and reporting.

The licence conditions appear to be suitably flexible to deliver the policy intentions; we welcome that they are broad, rather than overly prescriptive. As a general point, we suggest that the term 'Smart Metering Systems and In-Home Displays' be replaced by 'Smart Metering Systems, including Smart Meters and In-Home Displays'. This broader definition would also cover the Home Area Network (HAN), Wider Area Network (WAN), Communications Module, as well as the IHD and the smart meter itself.

Do any specific areas of the draft licence conditions need amendment or clarification to deliver this policy, and if so, how should they be amended?

We seek clarification around the following parts of the draft licence conditions:

- In YY 2a, does the reference to 'any Relevant Condition' refer to any Licence Condition related to customer experience, such as the forthcoming Licence Conditions on sales and marketing?
- A number of sections in the draft licence conditions, for example XX 2, XX 3, refer to the information being requested 'from time to time'. We query whether a different wording, such as 'on a regular' basis would reflect the policy intentions more accurately.
- Consumer Focus appreciates that reporting requirements may lead to a proportionately greater burden for smaller suppliers, and we are keen that they should not be disadvantaged by an overly demanding reporting framework. However, Consumer Direct data clearly shows that some smaller suppliers currently installing advanced meters are responsible for a disproportionately high number of consumer complaints[6]. We therefore strongly recommend that it be a mandatory requirement that smaller suppliers be obliged to submit information on their consumer engagement plans – the draft Licence Conditions would need to be amended to reflect this.
- It is surprising that there is no mention of the impact of the smart roll-out on fuel poverty, or on carbon reduction, in the Licence Condition aims, given that these are both wider Government policy goals.
- We query whether the Licence Conditions should also include the requirement to capture information on particular consumer segments eg vulnerable consumers. This would be in line with Ofgem's requirements to protect this group of customers in particular.

[6] Consumer Focus received regular monitoring data from Consumer Direct, and now receives this from its replacement, the Citizens Advice consumer service. Although the number of smart related contacts were too low to draw a robust analysis from they can be considered indicative of wider trends.

2) Is there a need for any consequential changes to existing licence conditions or codes to ensure that the proposed requirements on suppliers or network operators work as intended?

In order to achieve the aims set out in the Consumer Engagement Strategy consultation, and to help deliver wider costs savings, there needs to be a requirement for suppliers to share information with the future Central Delivery Body (CDB). This needs to either be captured in these Licence Conditions or in the Licence Conditions for the CDB.

3) What are your views on this proposed approach to the scope, frequency and timing of the content of the Information Request?

We welcome the systematic framework that the Programme has developed. The flexibility of its approach is particularly valuable, as it will enable the Programme to regularly review what information is collected – we would expect the reporting arrangements to be reviewed at the very least annually as lessons are learnt and be adapted accordingly. For example, it will become increasingly relevant to document the number of customers who take up a time of use tariff following smart meter installation. It will be important that the information is shared with the future CDB on a regular and timely basis.

We seek further clarification on what action the Programme will take if it identifies that one supplier is underperforming in relation to other suppliers, for example if they are not delivering the benefits to their customers? How will this data be used to feed into change processes?

The requirement for all suppliers to submit an Annual Report, and the focus on capturing costs and benefits is very welcome. However, there is no reference to the cost savings that could be delivered from greater co-ordination between suppliers, within the context of a competitive roll-out. Evidence suggests that cost savings could be delivered from greater co-ordination. Frontier Economics' (former Government consultant) research implies that a more co-ordinated approach could result in billion pound savings[7]. Although its assessment is based on analysis of a network-led roll-out, much of the rational such as reduced travel costs, increased consumer engagement, and fewer visits for the customer that could result from more co-ordinated approaches still applies to the GB roll-out. Consumer Focus believes that immediate steps must be taken to evaluate the benefits of a more co-ordinated and community-based approach and pilots set up so that there are clear benchmarks against which the efficiency of the market-led approach can be measured.

Regarding the focus of the supplier Annual Reports, as explained above, we do not consider that those submitted in Foundation Stage should solely focus on readiness for roll-out. Consumers will not make the distinction between Foundation and Mass Roll-out, but they will notice whether they have a poor quality installation experience. Moreover, we understand that up to six million smart meters could be installed in GB households before the DCC goes live. The Annual Reports should begin to capture information about costs and benefits right away. The Programme also needs to specifically outline what think consumer benefits (both monetised and non-monetised) should be, so that it can ensure they are delivered.

Regarding the quarterly monitoring requirements, we recognise that this will put a burden on suppliers. However, given the short timescales for roll-out, the complexity of Programme, and the cost to consumers, we fully support this requirement and consider it an appropriate timeframe for reporting, as it will enable the Programme and Ofgem to react quickly to any areas of concern.

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[7] Less is more? How to Optimise the Smart meter Roll-out. Frontier Economics. January 2008. **http://bit.ly/NaJEiM**

It is hard to give a more detailed comment on the effectiveness of the quarterly monitoring data without having sight of the detail of the content. We consider that it should be mandatory for smaller suppliers to submit an Annual Report; more detail on this position can be found in our response to Question 6.

4) Do you have any comments on the proposed framework for the provision of suppliers' plans and reporting information to Ofgem? Are there any alternative approaches that might better achieve the aims of the framework?

Consumer Focus welcomes that Ofgem will have increased powers to obtain information, which will facilitate proactive monitoring of roll-out. However, we are concerned that the Open Letter from the Regulator setting out its role in delivering the framework focuses entirely on compliance with the overall supplier roll-out obligation (ie the target to get the meters on the wall by 2019), not on the customer experience and benefits realisation.

We recognise that Ofgem must report on progress to meet this Licence Condition, but its Open Letter was extremely disappointing given the lack of any consideration given to the consumer benefits and risks. We continue to have concerns that some suppliers at risk of getting a penalty for not installing enough meters, will cut installation times and introduce more time efficient processes at the expense of a high-quality customer experience. This is particularly the case given the lack of commercial or regulatory incentives on suppliers to deliver the energy saving benefits of smart metering. Similarly there is little commercial and no regulatory incentive on suppliers to deliver smart benefits and a high quality experience to vulnerable and low income customers with little disposable income to buy additional products and services. Sadly we feel the standards set by the SMICOP are lowest common denominator rather than good practice.

Suppliers with tailored pathways, for example for their vulnerable customers, will take longer to install meters, but their customers should be much more likely to access the benefits of smart metering. The emphasis should be on quality, not just quantity. <u>The reporting framework needs to incentivise and somehow give credit to suppliers who are delivering a better customer experience, in particular a dedicated pathway for vulnerable customers or prepayment meter customers. We would welcome discussing this further.</u>

Ofgem has a crucial role to play in ensuring that all smart-related consumer protections are adhered to before and during roll-out. This includes monitoring and enforcing compliance with Licence Conditions on areas such as sales and marketing and privacy and data access. DECC has also stated that will alert Ofgem if it has reason to believe that cost savings are not being passed on to consumers. However, to ensure that consumers' needs are protected, it is crucial that Ofgem proactively monitors compliance, and acts in a timely manner when it discovers a breach of Licence Conditions, or when areas of concern are flagged up by DECC. The timeline for the smart metering programme mean that a quick response will be needed, to ensure that costs do not spiral out of control, or that consumer confidence is damaged.

We also seek clarity on how Ofgem will define a 'completed installation' – this definition will need to be in place for enforcement purposes. We suggest that the Regulator develops a checklist of the functions that it expects smart metering technology to deliver before an installation is deemed to be completed[8].

[8] For more detailed suggestions see Annex 1