



Department for
Business, Energy
& Industrial Strategy

Eileen Anderson

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**Department for Business, Energy &
Industrial Strategy**

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London SW1A 2AW

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13th September 2016

Dear Ms Anderson,

APPLICATION FOR A DEROGATION - IHD ALTERNATIVE TRIAL

This letter sets out the decision of the Secretary of State for Business, Energy & Industrial Strategy to grant Scottish Power Energy Retail Limited (company number SC190287, the "Licensee") a temporary derogation from the requirements in paragraphs 34.1 and 34.6 of standard condition 34 of its gas supply licence, and from the requirements in paragraphs 40.1 and 40.6 of standard condition 40 of its electricity supply licence. These conditions require the provision of an In-Home Display (IHD) when installing a smart metering system.

This derogation will enable the Licensee to offer smart meter customers an alternative to the IHD as specified in its trial application dated 29th July 2016 (and supplementary information submitted by the Licensee thereafter). It is further subject to the conditions set as part of the Directions.

The relevant Directions are attached and will be published (subject to any redactions needed to address commercial sensitivities). These will be effective from 13th September 2016 and will remain in force until 30th January 2018, when the final report is due, unless revoked earlier or varied in writing by the Department for Business, Energy & Industrial Strategy (BEIS). Any change in circumstances relevant to the Directions must be reported to BEIS as soon as possible. BEIS will want the Licensee to agree in advance of execution any changes which impact on the timeliness and / or evidence value of the trial. For example, any change to the scope and scale of trial, recruitment and installation stages or reporting milestones.

This letter constitutes the Notice, under section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986, of the reasons for the Secretary of State's decision to issue the attached Directions.

The proposal from the Licensee aligns with BEIS's ambition of allowing suppliers to undertake trials of IHD alternatives in order to develop robust, independent and GB-based evidence on innovative technologies and approaches that could act as alternatives to IHDs. It is in consumers' interests that this evidence is gathered in order to inform consideration of whether the current requirements best support consumers in achieving smart metering benefits. The Licensee's trial proposal meets the expectations and requirements set out in the Guidance¹ document supporting these trials.

The trial will see domestic consumers benefit from one of three interventions:

1. Access to website and mobile application based on hourly or daily data;
2. Additionally offer tailored, personalised energy information and advice;
3. Additionally offer a Consumer Access Device offering real time feedback.

We note the Licensee's commitment to providing consumers with clear advice on the alternatives, that any offer will be limited to credit meter customers and that all customers will be screened to ensure they have no impairment to accessing the products before an offer is made, for example, where there is no broadband or networked device. This screening would be helpful both before and during the installation visit. The expectation is that some 25,000 customers will be recruited across the three trial intervention groups, with a similar number in the IHD control groups. We believe the trial methodology will generate robust quantitative evidence about relative impacts. The study will measure outcomes over a sufficient period to provide confidence about the duration of impacts. The trial design allows randomisation of consumers into robust treatment and control groups. We look forward to working with you as plans are finalised.

If you would like to discuss any aspects of this letter, please contact ihdalternativetrials@beis.gov.uk

Yours sincerely,



JUDICAELLE HAMMOND

Head of Policy & Consumers, Smart Metering Implementation Programme

(An official of the Department for Business, Energy & Industrial Strategy authorised to act on behalf of the Secretary of State)

¹ <https://www.gov.uk/government/publications/smart-meters-derogation-guidance-supporting-energy-supplier-applications-for-trials-of-in-home-display-alternatives>



Department for
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ATTACHMENT 1: ELECTRICITY SUPPLY LICENCE

Scottish Power Energy Retail Limited

1 Atlantic Quay
Robertson Street
Glasgow
G2 8SP

Direction issued to Scottish Power Energy Retail Limited (company number SC190287, the “Licensee”) by the Secretary of State for Business, Energy & Industrial Strategy pursuant to Standard Licence Condition 40 of the Licensee’s electricity supply licence

The company to which this Direction is addressed (“the Licensee”) holds an electricity supply licence granted under section 6(1)(d) of the Electricity Act 1989 in which standard condition 40 (“Provision of an In-Home Display”) has effect.

Standard Licence Condition 40 provides that the Secretary of State may give a Direction under paragraph 40.10 relieving the Licensee of its obligations to comply with the requirements of paragraphs 40.1 and 40.6, in relation to the provision of an In-Home Display (IHD), to such extent and subject to such conditions as specified in the Direction.

Subject to the conditions in this Direction, the Secretary of State for Business, Energy & Industrial Strategy hereby directs that, in relation to the IHD alternative trial only, the Licensee is granted a temporary derogation from the requirements in paragraphs 40.1 and 40.6 of standard condition 40 of its electricity supply licence.

The rationale for the Secretary of State’s decision is set out in the accompanying letter to the Licensee, dated 13th September 2016.

The Licensee is required to report any change of circumstances relevant to this Direction to the Department for Business, Energy and Industrial Strategy (BEIS) without delay, and the Licensee will need to agree in advance any changes which impact on the timeliness and / or evidence value of the trial.

In this Direction, ‘IHD alternative trial’ means the Licensee’s proposed trial of three IHD alternatives, as described in the Licensee’s application dated 29th July 2016. The trial will be geographically constrained.

This Direction shall be effective from 13th September 2016 and will remain in force until 30th January 2018, unless revoked earlier or varied in writing by BEIS.

The conditions subject to which this Direction is given are as follows: the Licensee must fulfil the terms of the trial proposal submitted. In addition, the Licensee must submit (via ihdalternativetrials@beis.gov.uk) to BEIS:

- I. A detailed qualitative research plan by 30th October 2016. This research plan should set out how the Licensee will generate a sample (including the consumer characteristics or attributes targeted), detailed research questions and draft research instruments.
- II. A detailed plan for the analysis they will carry out on quantitative (energy consumption) trial data no later than 30th November 2016.
- III. A final report should be submitted by 30th January 2018 (based on 12 months consumption data) whilst interim reports should as a minimum be submitted at 31st March and 30th September.
- IV. All reports should provide at a minimum an analysis of the primary research question (i.e. comparing the alternative engagement approaches to an IHD) and be submitted in line with reporting standards communicated by BEIS as part of feedback to the Licensee on actions (i) and (ii).
- V. A full record of how each intervention was delivered, including the format and frequency of any proactive communications with consumers, or iterative developments to functionality or interfaces, to be provided alongside interim and final report.



Department for
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ATTACHMENT 2: GAS SUPPLY LICENCE

Scottish Power Energy Retail Limited

1 Atlantic Quay
Robertson Street
Glasgow
G2 8SP

Direction issued to Scottish Power Energy Retail Limited (company number SC190287, the “Licensee”) by the Secretary of State for Business, Energy & Industrial Strategy pursuant to Standard Licence Condition 34 of the Licensee’s gas supply licence

The company to which this Direction is addressed (“the Licensee”) holds a gas supply licence granted under section 7A(1) of the Gas Act 1986 in which standard condition 34 (“Provision of an In-Home Display”) has effect.

Standard Licence Condition 34 provides that the Secretary of State may give a direction under paragraph 34.12 relieving the Licensee of its obligations to comply with the requirements of paragraphs 34.1 and 34.6, in relation to the provision of an In-Home Display (IHD), to such extent and subject to such conditions as specified in the direction.

Subject to the conditions in this Direction, the Secretary of State for Business, Energy & Industrial Strategy hereby directs that, in relation to the IHD alternative trial only, the Licensee is granted a temporary derogation from the requirements in paragraphs 34.1 and 34.6 of standard condition 34 of its gas supply licence.

The rationale for the Secretary of State’s decision is set out in the accompanying letter to the Licensee, dated 13th September 2016.

The Licensee is required to report any change of circumstances relevant to this Direction to the Department for Business, Energy & Industrial Strategy (BEIS) without delay, and certain matters may need to be agreed with BEIS by the Licensee. For example, any change to the scope and scale of trial, recruitment and installation stages or reporting milestones would require BEIS’s agreement in advance.

In this Direction, ‘IHD alternative trial’ means the Licensee’s proposed trial of three IHD alternatives, as described in the Licensee’s proposal dated 29th July 2016. The trial will be geographically constrained.

This Direction shall be effective from 13th September 2016 and will remain in force until 30th January 2018, unless revoked earlier or varied in writing by BEIS.

The conditions subject to which this Direction is given are as follows: the Licensee must fulfil the terms of the trial proposal submitted. In addition, the Licensee must submit (via ihdalternativetrials@decc.gsi.gov.uk) to BEIS:

- I. A detailed qualitative research plan by 30th October 2016. This research plan should set out how the Licensee will generate a sample (including the consumer characteristics or attributes targeted), detailed research questions and draft research instruments.
- II. A detailed plan for the analysis they will carry out on quantitative (energy consumption) trial data no later than 30th November 2016.
- III. A final report should be submitted by 30th January 2018 (based on 12 months consumption data) whilst interim reports should as a minimum be submitted at 31st March and 30th September.
- IV. All reports should provide at a minimum an analysis of the primary research question (i.e. comparing the alternative engagement approaches to an IHD) and be submitted in line with reporting standards communicated by BEIS as part of feedback to the Licensee on actions (i) and (ii).
- V. A full record of how each intervention was delivered, including the format and frequency of any proactive communications with consumers, or iterative developments to functionality or interfaces, to be provided alongside interim and final report.