



Department for
Business, Energy
& Industrial Strategy

Department for Business, Energy &
Industrial Strategy

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www.gov.uk/beis

Tracey Pack

SSE In Home Experience Project Manager

Scottish & Southern Energy

Via Tracey.Pack@sse.com

24 August 2016

Dear Ms Pack,

APPLICATION FOR A DEROGATION - IHD ALTERNATIVE TRIAL

This letter replaces the letter dated 13th July 2016, setting out the decision of the Secretary of State for Energy & Climate Change to grant SSE Energy Supply Limited (company numbers 03757502 and 02716495, “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, in light of new information provided by the Licensee and set out below. 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 trial customers the [REDACTED] in line with its trial proposal submitted to the former Department of Energy & Climate Change (DECC) on 31st May 2016 (and supplementary information submitted by the Licensee following DECC requests 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 13 July 2016 and will remain in force until 31 December 2017, 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 BEIS gather this evidence in order to proactively inform consideration of whether the current Licence Conditions best support consumers in achieving benefits, including energy saving benefits, from smart metering.

The Licensee's trial proposal meets the expectations and requirements set out in the DECC Guidance¹ document supporting these trials. Notably, the trial will see domestic consumers benefit from [REDACTED]. We note the Licensee's commitment to providing consumers with clear and accessible advice on the [REDACTED], that any offer will be limited to credit meter customers and that all customers will be screened to ensure they can access and have no impairment to using [REDACTED] before an offer is made, with vulnerable customers currently excluded. Any customer requesting an IHD during or following the Smart Meter installation will be offered one.

The proposed trial expects that [REDACTED] customers will be recruited to a [REDACTED] intervention group. 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 randomisation of consumers into treatment and control groups, in addition to quasi-experimental methods, should be sufficient to control for bias. BEIS will continue to work with the Licensee to assure their approach to the analysis of trial data. The trial also proposes a range of additional evidence collection, including qualitative research. We believe this will generate valuable insights into consumer experiences.

We look forward to continued work with you as implementation, analysis and reporting 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
Business, Energy
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ATTACHMENT 1: ELECTRICITY SUPPLY LICENCE

SSE Energy Supply Limited

55 Vastern Road
Reading, Berkshire
RG1 8BU, UK

Direction issued to SSE Energy Supply Limited (company number 03757502, the “Licensee”) by the Secretary of State for Energy & Climate Change 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 (“the Electricity Licence”) 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 Energy & Climate Change 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 24 August 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 the SSE [REDACTED], as described in the Licensee’s application submitted to the former Department of Energy and Climate Change (DECC) on 31 May 2016. The trial is expected to be geographically constrained by the Licensee though no constraints have been set as part of this Direction.

This Direction shall be effective from 13 July 2016 and shall remain in force until and including 31 December 2017, 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 to DECC. In addition, the Licensee must submit (via ihdalternativetrials@beis.gov.uk) to BEIS:

- I. A detailed qualitative research plan by **30th September 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 October 2016**.
- III. Interim reports should be submitted at end March and end September 2017 (based on 9 months consumption data). A final report should be submitted by 31 December 2017 (based on 12 months consumption data).
- IV. All reports should provide at a minimum an analysis of the primary research question (i.e. comparing the [REDACTED] 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).



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ATTACHMENT 2: GAS SUPPLY LICENCE

SSE Energy Supply Limited

55 Vastern Road
Reading, Berkshire
RG1 8BU, UK

Direction issued to SSE Energy Supply Limited (company number 02716495, the “Licensee”) by the Secretary of State for Energy & Climate Change 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 (“the Gas Licence”) 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 Energy & Climate Change 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 24 August 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 the SSE [REDACTED], as described in the Licensee’s proposal submitted to the former Department of Energy and Climate Change (DECC) on 31 May 2016. The trial is expected to be geographically constrained though no constraints have been set as part of this Direction.

This Direction shall be effective from 13 July 2016 and shall remain in force until and including 31 December 2017, 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 to DECC. In addition, the Licensee must submit (via ihdalternativetrials@decc.gsi.gov.uk) to BEIS:

- I. A detailed qualitative research plans by **30th September 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 October 2016**.
- III. Interim reports should be submitted at end March and end September 2017 (based on 9 months consumption data). A final report should be submitted by 31 December 2017 (based on 12 months consumption data).
- IV. All reports should provide at a minimum an analysis of the primary research question (i.e. comparing the [REDACTED] 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).