



**Consumer
Focus**
Campaigning for a fair deal

Consumer Focus response to Smart Metering Implementation Programme: Non-Domestic Sector

October 2010

Background and summary

Consumer Focus is the statutory watchdog for energy and post consumers and campaigns to ensure a fair deal for customers across all markets.

It should be noted that Consumer Focus represents 'micro businesses' and is responding with this consumer group in mind. In addition to the issues raised here, we have general concerns with the protections (or lack thereof) that micro-businesses receive compared to domestic consumers already. In some areas smart metering will exacerbate existing problems but we have not outlined these here as it is not smart metering per se that causes them. We would welcome a separate discussion with DECC and Ofgem on these issues.

We support a common approach to the domestic and micro-business sectors. This group encompasses a wide range of organisations including sole traders, pubs, shop keepers, and charities, many of whom have the same concerns as domestic consumers and use the same technology. The emphasis should be on differences only where there is a corresponding material impact. Our answers to this consultation should therefore be read alongside our responses to the wider consultation on domestic consumer issues. This includes our consultation responses on consumer protections, rollout, implementation and data privacy and security.

Summary of key recommendations

- Regulation is needed to ensure that small businesses can easily access their energy consumption data in a format that enables them to a) change their behaviour to reduce their energy consumption and carbon emissions and b) to compare deals available in the market on a like for like basis to get the best deal for them. Consumer Focus research shows that suppliers are charging non domestic customers up to 51p a day to access their own energy consumption data
- Micro businesses should receive a free energy display and information and support on how to reduce their energy consumption and go green. Some suppliers don't even offer online access to information, limiting non-domestic customer's ability to respond to any kind of real-time information and access the benefits of smart metering
- A smart metering consumer engagement strategy must be developed to target and address the needs of small businesses. It should be borne in mind that many small businesses – hairdressers, local shop keepers, publicans, religious organisations, are key opinion formers in their local communities. Their experiences of smart metering are likely to have an important impact on wider engagement strategies and domestic consumer buy-in
- A review of the impact of smart metering on the non domestic energy retail market is needed, including a systematic review of protections. This should cover data privacy, and remote disconnection, load limiting and switching for instances where valves are installed; also new tariffs and charging structures as well as interoperability concerns

Specific questions

Question 1: Are there any technical circumstances where only advanced rather than smart metering would be technically feasible? How many smaller non-domestic customers have U16 or CT meters and what scope is there for full smart meter functionality to be added in these cases?

We do not have the advanced technical ability or knowledge to answer this question fully; however we have asked suppliers to ascertain the extent of existing smart/advanced meter penetration. The results show that at least 50,000 have been installed already, and that the figure will be 400,000 by the end of 2012. It is therefore imperative that such meters do not become stranded assets.

Smart metering technology used across the industry must be fully interoperable so that customers do not have to change their meter, in-home communications or any related equipment such as displays, in order to switch supplier. Compatibility problems will not only add cost to rollout, but result in inconvenience to customers, additional waste and could act as a barrier to switching and competition. We already have concerns in this area and suggest that Ofgem take prompt action to address this problem.

Interoperability is particularly important as the business market already suffers from comparatively low engagement (as witnessed in lower switching rates and an increasing number of contacts to Consumer Direct). Smart meter awareness among small businesses also seems low based on our conversations with business representatives.

The proposed plans for a consumer engagement strategy must address the needs of small businesses, and their representatives should be directly consulted on appropriate engagement strategies.

Question 2: Do you agree with our proposed approach to exceptions in the smaller non-domestic sector?

We agree that Ofgem should proceed on the basis that there is no justification for not providing a smart meter within the lifetime of the programme. But customers should have the choice to refuse a meter or have it operate in a way that addresses any concerns they might have eg as regards to data privacy, or health concerns.

We agree that further work regarding multi-site operations would be useful; there are already problems in the business market with multiple meters not being properly recorded or even simply 'forgotten about' and smart metering should be an opportunity to resolve these problems rather than exacerbating them.

Question 3: Are there technical circumstances that we have not considered that would justify further flexibility around installation of either smart or advanced meters?

As stated above, our expertise on technical matters is limited. We would expect other stakeholders to be able, with time, to identify and nullify circumstances not already identified. We are more concerned with flexibility on the part of suppliers and Government so that micro businesses are provided with smart metering in ways appropriate to their situation, for example the offering of innovative tariffs if that is judged to be in their interests and appropriate protections. This flexibility will be crucial for businesses to get the most from their smart meter and thus for the success of implementation overall.

It is also critical that consumers who receive advanced metering, as opposed to fully smart meters, do not have a poorer service or fewer benefits, particularly if the costs are spread across all consumers and they are paying an equal amount.

Question 4: Do you agree with the proposed approach that use of DCC should be optional for non-domestic participants in the sector?

We reserve judgement on this until the precise scope of the data collection company (DCC) is defined and wider issues around interoperability are clearer. It is key that whatever solution is found that there are no barriers to switching, and appropriate data privacy and security mechanisms are put in place. Also, we strongly feel that whatever option is adopted that smaller suppliers (many of whom have consistently been the most innovative, and represent a competitive fringe superior to that in the domestic market) should not find themselves at a disadvantage. Monitoring will need to be undertaken to ensure any unintentional impacts on competition are not created.

Question 5: If use of DCC is not mandated for non-domestic customers, do you agree with the proposed approach as to how it offers its services and the controls around such offers?

We have concerns that not all of the big six energy suppliers will choose to use the DCC where there is a significant commercial advantage of them not doing so eg early movers looking to secure their market position. Attempts at an interim voluntary solution to address interoperability concerns for example have up to now been unsuccessful.

Any option that is adopted will have to be kept under close review. Care must be taken not to add unnecessary costs or distort the market where this could result in detriment to consumers. Consideration should be given to the impact of early movers and how this might impact any assessment of the practicality and costs involved in each approach. Ofgem must ensure that timely action is taken so that the regulator and Government are leading this process rather than responding to developments.

Question 6: To what extent does our proposed approach to the use of DCC for non-domestic customers present any significant potential limitations for smart grids?

We do not feel that mandating the use of DCC would be a panacea for the development of smart grids; there are too many other variables, such as funding and co-ordination between suppliers rolling out meters (see separate Consumer Focus response to the rollout consultation) that are likely to have more of an impact.

Question 7: Is a specific licence condition required to ensure that metering data for non-domestic customers can be provided to network operators or DCC, and should any provision be made for charging network operators for the costs of delivering such data?

In terms of data access, protection and privacy, the same approach should be applied to micro-business as to domestic customers (see Consumer Focus's consultation response to data protection and privacy).

Question 8: How can interoperability best be secured in the smaller non-domestic sector?

Given the extent of the DCC in either of the Impact Assessment (IA) scenarios, a large part of interoperability, in theory, should be ensured by this body and its services. Clearly any non-DCC metering in place before 2014 will need to be compatible with this arrangement and the broad thrust of the accompanying document in this area seems sensible. We await with interest how this is achieved in practice.

Question 9: What steps are needed to ensure that customers can access their data, and should the level of data provision and the means through which it is provided to individual customers or premises be a matter for contract between the customer and the supplier or should minimum requirements be put in place?

Regulation is needed to ensure that micro businesses can easily access their energy consumption data in a format that enables them to a) change their behaviour to reduce their energy consumption and carbon emissions and b) to compare deals available in the market on a like for like basis to get access to the best deal.

Minimum standards for information provision are critical. As noted in our response to the protections consultation, smart metering is likely to facilitate a much greater array of products and services leading to potentially a much more complex market that is harder for consumers to navigate.

We agree that customers should also be able to easily share this information with authorised third parties, for example to obtain tailored energy efficiency advice. See Consumer Focus response to the Domestic Protections Consultation for comprehensive arguments on this.

Consumer Focus research found that several suppliers do not allow non-domestic customers online data access to this information or charged **up to 55p a day** to do so. Thus the consumer has advanced metering installed but does not see it as a way of reducing consumption or costs because understanding the impact of their current consumption is expensive and not practical.

It is imperative that this is addressed and that information is available for free in an easy to use format. As noted, non-domestic users have a higher average consumption per premise than domestic users, increasing the value of any percentage saving derived from the use of smart or advanced metering. Also, as highlighted, trials conducted by the Carbon Trust found that smaller non-domestic users have a higher propensity to reduce gas consumption by responding to information feedback.

Not providing customers with easy and free access to this data is therefore a staggering missed opportunity and undermines the point of rollout and crucially the delivery of benefits to these customers. It results in a burden for businesses, rather than an opportunity to reduce their energy spend. If the former practice continues then the rollout will fail to deliver the identified positive business case as consumers will not change their behaviour sufficiently and carbon reduction targets will be missed.

We support a proposed code of practice on the provision of information and advice to customers. See Consumer Focus response to the Rollout consultation as to what this should include.

We believe that suppliers should be mandated to provide a free display to small businesses. Evidence in the domestic sector shows that, where displays are provided with smart meters the energy savings delivered increase.¹ We are worried that a failure to mandate a display will act as a barrier to small businesses reducing their energy consumption and therefore access the benefits of smart metering. Consumer Focus is not convinced of any reason why small businesses should not have an IHD as standard when domestic consumers will, when the objective for both markets is the same.

Question 10: Do you agree with our approach to data privacy and security for non-domestic customers?

We refer Ofgem/DECC to our response on data protection and privacy for domestic customers. The same principles should apply, particularly in relation to micro businesses. In the non-domestic sector there is the added consideration that there are a growing number of energy brokers obtaining supply licences with a view towards accessing data and thus putting themselves in a position to market products to consumers based on this. The implications of this, in terms of potential accreditation; compliance with existing and any new rules; and enforcement, among other issues, needs further investigation.

Question 11: Is the proposed approach to rollout (for example in terms of targets and a requirement for an installation code of practice) appropriate for the non-domestic sector?

See our response to the rollout consultation for our views on targets and the requirement for an installation code of practice. In brief, we support the code and believe that the same approach should be adopted for micro businesses as domestic customers.

In addition to our comments in the rollout response for domestic customers, it should be noted that lack of understanding of the actual number of SMEs presents a particular problem – it is not always going to be clear when business suppliers have ‘gone smart’. Any targets would therefore be at best estimates. The extent of small supplier market share could also make this approach costly.

As regards to the engagement of non-domestic customers, at the moment it is not at all apparent that business can fulfil the energy/carbon reduction intent (judged by the IA to be £1.61 billion, around two-thirds of the possible consumer benefit) if they do not understand what is being supplied to them.

Smart meters are complex and businesses do not have the time or inclination to engage with the existing energy supply market. If smart meters are rolled out without a significant engagement push at the same time, rollout will see businesses paying for meters (and thus spending £595 million) without accessing any of the benefits. As the IA states, ‘energy savings depend on the behavioural response of consumers to smart meters’.

The engagement strategy will thus be crucial. As mentioned, any smart metering strategy needs to consider the needs of small businesses. Our views on a proposed engagement strategy are also outlined in our response to the rollout consultation.

Re misuse of new technology – we have particular concerns that while there is no mandating of gas valves that some installers (particularly the smaller ones) will fit them anyway and use them as a debt management tool. Consumer protections around remote disconnection, load limiting and switching of payment method must therefore apply equally to micro-businesses as domestic consumers.

¹ ACEEE Advanced Metering Initiatives and Residential Feedback Programmes (2010). <http://bit.ly/eSYi6p>



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