



**Consumer
Focus**
Campaigning for a fair deal

Consumer Focus response to Smart Metering Implementation Programme: Rollout Strategy

October 2010

About Consumer Focus

Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland. We were formed by the The Consumers, Estate Agents and Redress (CEAR) Act 2007.

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.

Consumer Focus has strong legislative powers. These include the right to investigate **any** consumer complaint if they are of wider interest, the right to open up information from providers, the power to conduct research and the ability to make an official super-complaint about failing services.

We receive about a third of our funding from BIS. Funding also comes from licenses paid by energy suppliers and the postal industry. We are also able to raise our own funds – for example, through externally funded projects.

Introduction

We have consistently supported smart metering and smart grids. Our approach to rollout is governed by the need to ensure that the consumer and citizen benefits of smart metering are delivered in a cost-effective and efficient way. We identify a broader range of potential benefits than those outlined in the DECC Impact Assessment (IA). Including:

- Help consumers reduce their energy consumption and save money on their bills – more than 40 per cent of the benefits identified in the IA are expected to be delivered by consumers changing the amount of energy they consume or the time at which they use their energy¹
- Opportunities to more efficiently deliver assistance to low income and vulnerable consumers eg linking up of local and national fuel poverty schemes, extra help during the installation visit. This would help to meet Government targets to eradicate fuel poverty. This is particularly important as it is unclear if low income customers will get the same energy savings from smart metering
- The potential to dovetail any rollout of water metering with smart meter rollout, particularly in water stretched areas – to deliver bill savings to water consumers
- The potential to support wider public policy goals such as the Digital Britain agenda – this could influence decisions around communications and prioritisation and deliver greater cost savings to consumers and tax payers²
- Possible cost savings to the National Health Service (NHS) – decisions on functionality and interoperability must not preclude the delivery of telehealth and telecare services which could reduce the burden on the NHS and social services and enable people to live independently in their own homes for longer³
- Reduce the relative costs of prepayment meter (PPM) tariffs and help stimulate real competition in a pay as you go energy market⁴
- Stimulate greater competition in energy supply and related markets such as energy services and smart homes
- Facilitate the transition to the low carbon economy/smart grids

A successful rollout will result in:

- High levels of customer satisfaction and low levels of complaints
- Cost-effective delivery of the above benefits and in particular the benefits outlined in the DECC IA

In our response to the consultation, we are also mindful of the Government's desire to accelerate the rollout of smart metering and that smart meters will be an integral part of Green Deal.

¹ *Smart Metering Implementation Programme: Rollout Strategy*. 27 July 2010. p.4 para 1.7 – Ofgem and Ofgem E-Serve

² BIS. *Digital Britain – The Final Report* (2010). <http://bit.ly/eUUYhD>

³ *Project Hydra* suggests that delivering the benefits of non-core services over the smart meter infrastructure adds little marginal cost while these extra revenue streams for stakeholders improve the economics of a smart meter roll out. <http://projecthydra.info/>. For more information see also TAHI – Interoperability for Smart Homes and Communities. The Assisted Living Industry Sector Working Group (ALWG) <http://bit.ly/hGaqoe>

⁴ See our *Smart Metering Implementation Programme: Statement of Design Requirements* response

Specific questions

Question 1: Do you believe that the proposed approach provides the right balance between supplier certainty and flexibility to ensure the successful rollout of smart meters? If not, how should this balance be addressed?

Consumer Focus continues to believe that further consideration should be given to assessing the impact of a network-led rollout – see Question 2 of our response to the Implementation Strategy. However, as requested, we have responded to these questions on the basis of the proposed supplier-led rollout.

General

We recognise that some supplier flexibility will be required throughout the programme given the estimated 2.5 million meter installations per year which take place as a result of ongoing metering activities eg new builds, electricity re-certifications and gas meter replacements, switching between credit and PPMs and repairing meter faults⁵.

We also support suppliers being able to respond to ‘customer pull’ for smart meters once the technology is fully compliant with minimum specifications, interoperability issues have been resolved, and the appropriate customer protections have been put in place. Early adopters, if they have a positive experience, tend to be particularly strong advocates for new innovations, playing a useful role in delivering wider consumer engagement.

However, Consumer Focus does not support the ‘wait and see approach’ around co-ordination for the following reasons:

- We believe that there is evidence available which indicates that that there could be substantial benefits from co-ordination and community based approaches. While we appreciate that this does not sit neatly with a competitive rollout, Consumer Focus still believes that it warrants further investigation given the potential benefits. For example:
 - a. Increased engagement and programme efficiencies
Evaluation of the initial six Warm Zone pilots found considerable merit in the street by street zone approach and revealed that the most effective pilots increased energy efficiency improvement activity by a factor of seven over and above business as usual. It also reportedly enabled the delivery of assistance to hard to reach groups and more efficient delivery of help generally from alignment of project resources⁶. The importance of local networks in maximising customer engagement is a key lesson learnt reported from the Digital Switchover campaign⁷. The Community Energy Savings Programme (CESP) is based on recognition of the benefits of area-based approaches⁸.

⁵ Smart Metering Implementation Programme: Rollout Strategy. Para 2.3. p.8

⁶ Warm Zones External Evaluation. Final Report to DEFRA and DTI March 2005. Prepared by CSE, NEA and EST. <http://bit.ly/gyy5Jh>

⁷ Presentation to the Consumer Advisory Group on 18 February by Anna Popova <http://bit.ly/h8i6tS> And also Programme Director Alex Pumfrey’s presentation on May 13 2010.

⁸ Impact Assessment of Proposals for the Implementation of the Community Energy Saving Programme. May 29, 2009. <http://bit.ly/gYKDCL>

British Gas's Green Streets programme also outlines some of the benefits from community approaches to delivering behaviour change and 'normalising' energy efficiency activity⁹.

Given that savings from reduced energy consumption account for £4.47 billion of the financial benefits to consumers in the business case, the importance of effective engagement should not be underestimated – see also Question 4

b. Cost savings – programme efficiencies

Frontier Economics estimates that the cost of rollout would be almost £3 billion lower if it was undertaken on a more co-ordinated basis. While this assessment appears to be based on a network-led rollout¹⁰ some of the costs identified might equally apply. For example: a) street by street installation could reduce travelling time – this is particularly the case given the outsourcing of much metering activity and the need for floating support teams to help when there are technical difficulties b) a co-ordinated campaign of advertisement and education could be focused on areas in which the rollout was occurring, reducing installation costs and encouraging the desired reduction in consumption

c. Incentivising behaviour change – council partnerships

Evidence from small-scale pilots suggests there is much to be gained from partnerships. E.ON joined forces with Kettering Borough Council through the 'E.ON Kettering Smart Energy Saver' trial. The trial enabled almost 80 per cent of participating homes to reduce their energy consumption, with an average financial saving of around £109 off the average annual gas and electricity bill. 500 smart meters were installed with an in-home monitor or online computer software. The Council offered trial participants incentives – an energy saving reward of up to £100 for reducing their energy consumption by 10 per cent or more; with those reducing consumption by between 5 per cent and 10 per cent receiving a £50 reward. The reward is paid to participants as a discount on their 2010/2011 council tax bill¹¹

- We are sceptical about the extent to which meaningful third party arrangements will develop on the scale needed without support. The experience of Warm Zones shows that building effective local networks can be very challenging. The difficulties suppliers face operating in local partnerships may be greater than the benefits to them of co-operation. Supplier interests are also not always aligned with public policy goals.

Some third parties may also be reluctant or find it hard to work with industry if partnership means they have to have a series of bilateral agreements with more than six different suppliers. They may also be reticent to promote what could be seen as a commercial endeavour – particularly if they are aware of bad experiences in other countries. Not for profit organisations, which tend to have high levels of consumer trust, also tend to have little resource. If they are to participate it will need to be made easy for them, including with a single point of contact co-ordinating all suppliers, information, and a trusted approach. This will also help deliver the benefits to all of their residents, not just those who are with a given supplier.

⁹ *Green Streets: Exploring the Potential of Community Energy Projects*. Interim Report prepared by the IPPR for British Gas. September 2010. Reg Platt <http://bit.ly/hzA44e>

¹⁰ Less is more? How to optimise the smart meter rollout. Frontier Economics. Online January 2008. <http://bit.ly/cliQ5S>

¹¹ <http://bit.ly/hMRHOu>

- As the consultation highlights, ‘specific projects may emerge that require support from the programme and will help deliver the programme benefits’. In practice the need for partnerships from the outset already exists:
 - To facilitate smart grid pilots such as those agreed under the Low Carbon Network Fund and the wider development of the smart grid
 - To enable the rollout of electric vehicles will require charging points. These need to be integrated into local planning policy
 - Industry co-ordination will be needed to overcome barriers. For example, problems with entry such as access to social housing or blocks of flats; and technical support if network or safety issues are identified. A localised roaming network support team would improve efficiency and the amount of time customers spend off-supply where problems are identified
 - Availability and the development of communication infrastructure may influence where meters can be installed. Co-ordination with Digital Britain priorities could be facilitated
 - Where community schemes already exist and to enable alignment with third-party initiatives that would enhance the overall business case eg CESP or Warm Zones
 - Potentially co-ordination of installation of smart meters for customers who take gas and electricity from different suppliers given the interdependencies of meters and the preference for a single display. Ofgem estimates this to be around a third of consumers
 - Clear, credible and comparable messaging will be essential to give customers confidence. This needs to be shared and used by both private sector and public sector bodies – See Question 4
- There are also broader efficiencies which might be achieved from joined-up government:
 - Dovetailing with water meter rollout – if this happens in water stretched areas it could deliver further cost savings.¹²
 - Opportunities to more cost effectively deliver the aims of the Digital Britain
 - Savings to the NHS in delivering telecare and healthcare services which could reduce the burden on the NHS and social services and enable people to live independently in their own homes for longer¹³
 - More cost effective delivery of national and local programmes eg pooling of funding for fuel poverty, energy efficiency or social landlord projects and ability to leverage further financial support from within the community. This would also help to create simplicity from the customer point of view
- There are further potential benefits to individual customers which deserve recognition:

¹² <http://www.climatesmart.qld.gov.au/>

¹³ *Project Hydra* suggests that delivering the benefits of non-core services over the smart meter infrastructure adds little marginal cost while these extra revenue streams for stakeholders improve the economics of a smart meter roll out. <http://projecthydra.info/>. For more information see also TAHI – Interoperability for Smart Homes and Communities. The Assisted Living Industry Sector Working Group (ALWG) <http://bit.ly/hGaqoe>

- Convenience for dual fuel customers – a significant proportion of customers with both gas and electricity take them from different suppliers. A single visit could help minimise disruption and inconvenience caused by the need for two visits and two displays
- Less time waiting-in for the installation visit – suppliers tell us that they will struggle to offer a two-hour window for appointments for customers. This is easier to deliver with a localised approach as it allows for a floating team to be in the area to cover an installation in instances where the previous visit took longer than expected. According the UK Cost of Waiting Survey, waiting in for the meter man results in loss of earnings, disproportionately impacting those on low incomes who are paid by the hour; results in days taken off sick – a cost to the economy, and inconvenience and annoyance for customers¹⁴
- While suppliers may be able to respond to requests for meters, we question whether customer pull is realistically likely to be ‘shaping the rollout’ in the early stages. We would still expect that the majority of installations during this time are as a result of supplier-led activities, given the estimated 2.5 million a year that will need to be installed as a result of ongoing processes. It is likely to take suppliers time to mobilise their workforces and scale-up activities. This could mean that the majority of people that get a smart meter, especially in the early stages, still probably won’t have actively asked for one – they may even be reluctant or hostile to the move. Arguably then, emphasis on initiatives to promote engagement need more attention in the early stages of the programme, especially when the concept of smart metering is new. Customer acceptance and engagement issues really need to be addressed from day one and building local partnerships is a key part of that process – See Question 4

We also seek reassurances that the ‘wait and see approach’ will not result in a free for all for those suppliers moving early. We acknowledge the benefits of trialling new technology at scale in the period before mandated rollout and recognise that, in the best case scenario, this would mean customers get some of the benefits of smart metering early.

However, we have concerns that customers could face unnecessary detriment as smart-ready consumer protections are not in place eg mis-selling or intimidating practices on the doorstep, increases in back billing issues, problems with faulty technology, misuse of personal data, and barriers to switching as interoperability issues have not been resolved. As well as additional problems resulting from new technology, accelerated smart meter rollout will risk exacerbating existing weaknesses in protections.

Suppliers will need to ensure appropriate customer service, complaint handling and redress processes are in place ahead of rollout. Inadequate complaint handling and customer service was identified by the Californian regulator as a key contributory factor to the public backlash against PG&E smart meters¹⁵.

Despite official smart meter monitoring processes not yet being introduced, our sister organisation Consumer Direct is already receiving questions and some concerns. This should act as an early warning to decision makers. Negative customer experiences could undermine customer engagement and trust, and hinder the success of wider rollout. Consumer Focus’s full views on protections will be documented in our response to Consumer Protections Consultation.

¹⁴ *The UK Cost of Waiting Survey 2010*. <http://bit.ly/eHsLOT>

¹⁵ *PG&E Advanced Metering Assessment Report* commissioned by the California Public Utilities Commission. Prepared by Structure. September 2010. <http://bit.ly/eV6YTr>

In addition, customers who receive smart meters before Go-Live may not get the same level of service as those that get them later. Consumer Focus strongly believes that all consumers should be able to access the benefits of smart metering – this is in line with European Regulators Association, ERGEG’s, draft Good Practice Guidelines for Regulators¹⁶. This is particularly important as it is likely that early adopters will be expected to pay the same amount for the meter, regardless of the service they receive.

At present, practices vary between suppliers. Suppliers may be incentivised to offer different segments of customers a different level of customer service during installation. We are unclear as to the level of customer service they are entitled to before 2012 – will they get a display? Will someone show them how to use it? Are they able to find out where to get to get independent advice on energy efficiency services? While some suppliers appear to be incentivised to provide a ‘Rolls Royce’ energy efficiency service to ‘able to pay’ customers, who are most likely to be able to afford additional products and services, there may be little incentive for them to offer the same service to high debt risk or low income customers.

Rationale

The following is a selection of recent calls to Consumer Direct where the customer said they had a problem with smart meters to illustrate some of the issues:

Barriers to switching

Company x has told consumer that if they want to leave they will need to pay £500 or remain with company for five years. Consumer has not seen contract or terms and conditions.

Technology problems/back billing

Customer had a smart meter installed in April 2009, but was still receiving estimated bills, cons has now received a back bill for £1,760.

Mis-selling

Consumer has been contacted by a door to door salesperson who told them that they are part of a government scheme to change over PPM to smart meters and they must sign up for it. When salesperson left they realised that they had signed to transfer supplier to company. Salesperson at no time said this was what they were doing. Salesperson is still in the area.

Disconnection

Consumer was previously paying estimated bills and a smart meter was installed leading to accurate readings being obtained and a catch up bill for £1,700 being sent. Consumer could not afford to pay this straight away and was in hospital for a while. The property was then disconnected three weeks ago while consumer was in hospital. Consumer is not sure if letters were sent warning of this prior to disconnection.

Cost

Consumer is on PPM and wanted a free smart meter to check his electricity usage. Consumer told he/she needs a credit meter to receive free meter and as a PPM user would require payment of £50.



Consumer Focus recommendations

To address the above mentioned issues we recommend:

1. Government should not adopt a ‘wait and see’ approach towards co-ordination and engagement but take the lead now to facilitate partnerships and campaigning work

¹⁶ ERGEG Public Consultation Paper on Draft Guidelines of Good Practice on Regulatory Aspects of Smart Metering for Electricity and Gas.

2. We back an obligation on suppliers to support specific projects submitted by third parties where there is a demonstrable benefit to customers or tax payers

Third parties should include not just local authorities but a wide range of organisations. An impartial mechanism would need to be set up to govern this. Ofgem/DECC would need to widely promote this to maximise engagement.

We agree this could include a requirement to complete meter installations for a fixed percentage (including 100 per cent) of meters in a given geographic area (eg social housing) by a particular time. Also to install meters for particular categories of customer. Experience suggests that this may be needed to ensure that hard to reach and more marginalised groups get equal access to the potential benefits of smart and aren't left until last.

3. An independent delivery body should be set up to co-ordinate key aspects of rollout. This body should also be jointly responsible for communications and delivering the wider consumer benefits – notably energy reduction and additional help to low income and vulnerable consumers. Its responsibilities should include:
 - Establish and facilitate opportunities for partnership including alignment with third party initiatives (as in 2 above)
 - Act as a single point of contact for third parties
 - Developing and running the proposed national communications campaign
 - See Question 4 for more details on this

We believe that the precise scope of this body could be expanded as the programme developed but should start with at least those areas where co-operation is identified as already being needed and with core messaging around smart metering which is so important – see Question 4.

This body would need to have broad representation including from industry, regulators (energy, water and telecoms), cross-government, consumer groups, meter installers, local councils and social housing providers among others. This is to ensure the greatest synergies and also to reflect the customer's experience of increasingly bundled services.

We understand the challenge of setting up this kind of agency in a competitive rollout but believe this should be seriously considered given the importance of customer engagement to the success of the programme and the wider benefits it could bring.

This would also be in line with the mitigation activities outlined in the Baringa report included in DECC's 2009 smart metering consultation which suggested *'the establishment and ongoing management of a government or third party organisation mandated to ensure customer engagement, and as such, demand benefits, persist throughout'*.

- It is also worth remembering that suppliers themselves also recognise that they are unlikely to adopt a co-ordinated approach unless they have to. In the words of the Energy Retail Association (ERA) – *‘it is difficult to envisage how suppliers alone could lead any form of co-ordination under what is fundamentally a competitive meter installation approach in the central communications model¹⁷.’* A framework of incentives and obligations are needed to make this happen.

DECC and Ofgem should also outline a framework for the proposed review. There is no timescale identified for review, no benchmark suggested against which the effectiveness of the current approach would be measured, except overarching installation targets. Ofgem and DECC should make clear what their expectations are in this regard. We would suggest inclusion of some qualitative targets around the customer experience and where possible behaviour change.

4. Pilots should be carried out in the period before Go-Live to trial different rollout and engagement approaches. The information from these should be publically available. This would provide a benchmark against which fully competitive supplier led activity could be measured. Without this Ofgem will only be able to compare the different approaches taken by suppliers which could be limited given the commercial drivers to adopt a given approach.
5. If needs be, a cost benefit analysis should be carried out that looks at all the potential benefits of partnership and area based co-ordination – environmental, social and cost savings, including the non-monetised advantages such as enhanced customer experience. This should include a distributional analysis, to establish looking at the impact on low income and vulnerable consumers.
6. Government should consider putting incentives in place to encourage local authorities and other third parties to work with suppliers eg via key performance indicators or equivalent. There is huge variation in how proactive local authorities are and some may need to be encouraged to take a joined-up approach.
7. Pre Go-Live trial sizes and installation numbers should be limited until the consumer protections have been reviewed and updated and minimum standards for installation are in place.
8. Ahead of the introduction of Ofgem’s regulated Supplier Code of Practice for Installation, a commitment is needed from industry that they will meet pre-determined minimum levels of customer service eg for displays, advice, treatment of low income customers. This is necessary to ensure customers have the information and support they need to change behaviour and deliver the benefits identified in the IA.
9. Creation of a Supplier Code of Practice underpinned by a licence condition (see Question 13 below) including additional help for low income and vulnerable consumers should be a priority. See also Consumer Focus’s Consumer Protections Consultation response.

Consumer Focus appreciates that increased co-ordination and area-based approaches can result in extra governance and upfront cost. However, we would urge Government to take the time to put the right framework in place now rather than end up adopting a piecemeal approach going forward in response to problems. We would expect this to be more cost effective in the long-run.

¹⁷ Energy Retail Association’s Newsletter *Smart Comment* July 2009 Issue 4

Question 2: Would the same approach be appropriate for the non-domestic sector as for the domestic sector?

Please refer to our response to the Smart Metering Implementation Programme: Non-Domestic Sector.

Question 3: Is there a case for special arrangements for smaller suppliers

Not where it could have an impact on the customer experience.

There may be a case for special arrangements around overarching installation targets where economies of scale and onus on a particular geographic distribution of meters might put small suppliers at a disadvantage.

However, it is essential that any consumer protections and agreed minimum levels of customer service eg around advice and support, apply to all suppliers regardless of their size. We appreciate the desire to remove barriers to entry, operation and innovation but given that the Government is mandating the rollout, and any costs will be passed on to consumers, it would be particularly inappropriate for customers to have unequal access to the benefits of smart metering.

It is also worth noting that a number of the calls to Consumer Direct about smart metering are prompted by problems with small suppliers. Ofgem may need to consider a review of small supplier exemptions to existing licence conditions in the light of smart metering and certainly small suppliers will need to be bound by any proposed Code of Practices and obligations around co-ordination.

Question 4: What is the best way to promote customer engagement in smart metering? As part of broader efforts, do you believe that a national awareness campaign should be established for smart metering? If so what do you believe should be its scope and what would be the best way to deliver it?

We broadly support both approaches outlined – a code of practice for suppliers and a national awareness campaign, which form part of a broader customer engagement strategy – see also Question 5. We recognise that under any approach suppliers would need to be able to do their own sales and marketing activities, though we do advocate for limits on this during the installation visit – see also Question 13 on the Code of Practice. In our response below we have taken each approach in turn before outlining what we believe to be the best way to deliver the customer engagement and behaviour change needed to realise the benefits outlined in the IA.

Our starting point

The Government must distinguish between acceptance and the level of engagement necessary to deliver behaviour change. An awareness campaign may help get the short-term acceptance necessary to install smart meters, but is less likely to deliver long term energy savings.

These are the key steps that we feel must be undergone before any customer engagement strategy can be properly developed:

1. The business case needs to be further expanded, to identify the full range of benefits – as proposed in the Implementation Strategy consultation

2. A strategy then needs to be developed to deliver those full benefits – eg the benefit of lower energy consumption may be delivered for example by a customer using less lighting, or only heating rooms in use; or the benefit of lower peak demand may be delivered by a customer choosing to use appliances at certain times of the day
3. The Government must identify all the actions that are needed to deliver those benefits; consider the impact and likelihood of each of the benefits being delivered; and focus in the case of energy reduction on those behaviours that have the potential to deliver the largest aggregate carbon savings and reductions in fuel poverty
4. Use pilots to test ways to change those behaviours, to avoid wasting money on a wider scale, and continue evaluation and feedback into the programme design and delivery throughout the rollout
5. The role of an engagement strategy needs to be identified within that context. How much can an awareness campaign deliver, at what cost, before it has diminishing returns, and where should the budget be focused on individual behaviour changes?

Aims of the engagement strategy

Consumer Focus believes that the primary focus of any campaign or strategy should be on encouraging all consumers to reduce and change their energy use given that this is the key benefit identified in the positive business case and IA. A campaign focused solely on creating awareness and confidence in smart metering may lead to consumer acceptance but risks failing to deliver the potential energy reduction or change of use. It should also seek to maximise help and assistance to low income and vulnerable consumers and deliver wider public policy benefits.

Suppliers' role in engagement

We do not support suppliers leading on the development of any overarching smart meter communications or engagement strategy and this includes the development of a smart metering brand. We believe that an independent body must do this. Industry under the current regulatory framework arguably has little incentive to deliver behaviour change or wider public policy benefits and is not best placed to facilitate the range of activities needed for engagement as we outline below.

Consumer confidence in energy suppliers is low. The energy market was bottom rated in Consumer Focus's Consumer Conditions Survey 2009 which compared consumer confidence in energy suppliers with 45 other sectors¹⁸. Our online survey of 2,000 customers (March 2010) also reported that only 23 per cent of gas customers and 26 per cent of electricity customers trust their supplier to give them help and advice on cutting their energy bills and going green¹⁹. This indicates that relying on energy companies alone to deliver customer engagement would restrict impact. Suppliers are also not best placed to counter the likely concerns that will be raised, for example issues around health risks or data privacy that have led to the halting of rollout in Fairfax and Watsonville in California and the Netherlands. Even if they did co-ordinate their messages there is still likely to be a high level of distrust among many customers.

¹⁸ Consumer Focus, 2009 Consumer Conditions survey, <http://consumerfocus.org.uk/g/4m8>
This compared consumers' ratings of 45 markets on the basis of choice, meeting of expectations, consumer rights, trustworthiness, and the comparability of quality and prices.

¹⁹ This was an online survey of 2,048 consumers aged over 18 years conducted by ICM on behalf of Consumer Focus. Full findings will be available in November 2010.

Consumer Focus welcomes proposals to oblige suppliers to comply with minimum standards around messaging, support and advice provision – as outlined in our response to Question 5 – this will be essential to build consumer confidence. However, this obligation should be in addition to, not instead of, an independent co-ordination and engagement body.

National awareness campaign

Consumer Focus greatly welcomes the proposal for a national awareness campaign run by an independent body. We have advocated for this for some time and believe it has a key role to play in the success of the programme. However, as mentioned in Question 1, we recommend that this should be one of the activities carried out by a joint co-ordination and engagement delivery body.

Experience gained from the switching of PPM customers from token to key meters, highlights that there is the likelihood not only of inertia in terms of customer response, but also resistance. Lessons need to be shared, in particular in terms of communications to vulnerable consumers.

In terms of delivering energy demand reduction, any strategy should link into a broader Government approach around Green Deal and a wider social marketing programme to promote sustainable consumption. We appreciate that such a cross-Government strategy can add complexity but strongly believe that it would provide greater cost benefit and higher customer satisfaction in the long-run. Responsibility for delivering such a cross-cutting programme must be established.

Consumers do not tend to think about energy use in itself, nor do they think in departmental or regulatory silos. They think about washing clothes, preparing meals and keeping their home warm. The co-ordination body therefore needs to be able to work with multiple bodies to reflect the different aspects of the targeted consumer behaviour.

As mentioned in Question 1, the proposed body would need to have broad representation including from industry, regulators (energy, water and telecoms), cross-Government (DECC, CLG, DEFRA, BIS, Health, DWP) consumer groups, meter installers, local councils and social housing providers, among others. This would give it more credibility. It would also provide opportunities to exploit synergies with wider energy efficiency, water efficiency and sustainable consumption activities as part of a common brand as well as help to co-ordinate rollout and the delivery of wider consumer benefits.

The delivery of smart meter benefits would ideally sit within a broader sustainable consumption programme, alongside the Green Deal and we think the smart meter programme should be considered with any proposals for a Green Deal Authority or equivalent. It would need to have a committed and safeguarded stream of funding.

Government must have a lead role in any body that is created, and it must remain accountable to Government. While this is a supplier-led rollout, people will view it as a Government programme and it will be Government, not suppliers that are held responsible if things go wrong. Accenture research also indicates that the majority of people in Great Britain believe that Government should be responsible for taking the lead in helping them go green²⁰. Care will also need to be taken to manage expectations and demand for smart meters, particularly during the early stages of rollout.

²⁰ *The New Energy World – The Consumer Perspective*. Accenture. P.13 The study reported that 58 per cent of people in the UK thought that Government or political leaders should take the lead to decide and implement the actions to take in order to address the current and future energy challenges. Only 10 per cent said consumers and 21 per cent energy companies.

Consumer Focus's approach

Decision makers should not underestimate the challenge involved in delivering behaviour change needed to realise the full benefits of smart metering. Research suggests that most consumers are not prepared to make significant efforts to change to less energy intensive behaviours and lifestyles²¹.

Our international and cross sector work has identified that a one-sized fits all approach to communications and emphasis on information alone is unlikely to deliver the necessary behaviour change to reduce energy consumption. Consumer confidence and action is dependent on:

- Measures to encourage, enable and engage consumers, complete with visible leadership by Government, business and third sector organisations
- Clear, credible and comparable communications, in adverts, advice services, energy bills, and smart meter packs
- Delivery of high quality services from day one. The experience of early adopters is critical in delivering positive word-of-mouth experiences. Negative experiences could severely undermine success of rollout²²

Consumer Focus (as our predecessor body National Consumer Council) worked with the Sustainable Consumption Roundtable to identify a framework of four actions to prompt consumers to take sustainable choices which can be applied in the smart meter context²³.

Enable – provide people with advice, skills and information, and make action easy. Eg easy to use high quality displays which show real time information, advice on energy efficiency measures and referring people to grants where appropriate

Encourage – Government can encourage and, where necessary, enforce behaviour. Eg mandating rollout, league tables of suppliers performance, TOU tariffs (at a later stage), show-casing of effective trials and success stories, funding pilots and innovative projects, or regulation such as the Code of Practice to ensure high quality service)

Engage – strategies will work best if individuals are involved at an early stage. Remote messages from the Government are often not the best way to do this; face-to face contact is often considered more appropriate. The home visit provides a unique opportunity to communicate with customers and follow up contact will be needed

Exemplify – Government needs to lead by example, politicians need to Go Smart and encourage early adopters: people learn from the example set by others – from celebrities to friends, families and neighbours

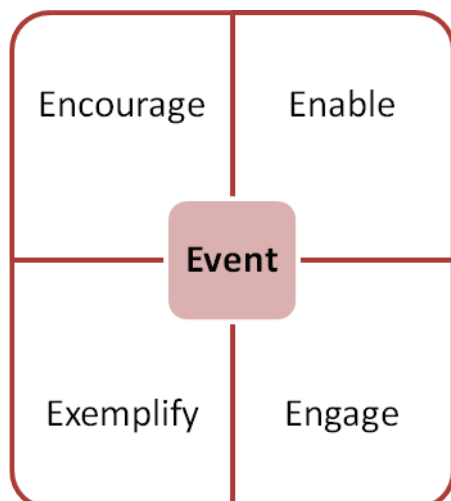
²¹ Ibid. p.13. See also Accenture *End-Consumer Observatory on Climate Change* 2009 which found that there was a gap between consumer intentions and actions.

²² *Green Deal or No Deal*. Consumer Focus research on customer engagement in sustainability and energy efficiency October 2010.

²³ Sustainable Consumption Roundtable, 2006, *I will if you will* <http://bit.ly/bqwzAY>

We have now added a fifth 'E' in recognition of the importance of timing:

Event – messaging must be targeted at the right time, in the right place and by the right person to help people take action. If not, there is the risk of energy efficiency and smart fatigue which will result in missed opportunities. Smart meter installation is a key trigger for energy efficiency advice but other events must be identified and used. Indeed they may be more appropriate.



We also highlight one of the conclusions of the American Council for an Energy-Efficient Economy's (ACEEE) report which reviewed 57 different residential smart metering and feedback programmes: *'To realise potential feedback-induced savings, advanced [smart] meters must be used in conjunction with in-home (or on-line) displays and well-designed programmes that successfully inform, engage, empower and motivate people.'*²⁴

Scope of the campaign body

To deliver the engagement and behaviour change needed to deliver the benefits identified in the IA, and further energy efficiency, we therefore propose the following remit for the campaign body:

- ✓ Develop a consumer engagement campaign – based on a social marketing approach

More is needed than just an information campaign which uses traditional media (TV, bill board, radio, press) and online approaches. Intensive information via a variety of media is a prerequisite for engagement but case studies show that this approach rarely helps to drive actual behaviour change²⁵.

The Body must develop a communications strategy which is based on social marketing principles. Consumer Focus's National Social Marketing Centre (NSMC) helps policy-makers decide who to work with, what behaviour to influence, how to go about it, and how to measure their effectiveness. Combining ideas from commercial marketing and the social sciences, social marketing is a proven tool for influencing people's behaviour in a sustainable and cost-effective way.

²⁴ ACEEE Advanced Metering Initiatives and Residential Feedback Programmes (2010).

<http://bit.ly/eSYi6p>

²⁵ See Fostering Sustainable Behaviour: Community based social marketing. www.cbsm.com

Commercial marketing approaches are insufficient as they are focused on short term purchases, not long term behaviours. A social marketing approach would involve segmenting the customer base, identifying the triggers and barriers for change, and implementing a range of approaches to address behaviours in ways most appropriate to the customer base.

✓ Provide credible and consistent information

Clear, credible and comparable messaging in all media, in publicity, and by advice services, will be essential to give customers confidence. This approach needs to be shared the full range of private and public sector bodies. This will include:

a) Promoting consistent messages and ensuring easy availability of reliable information – What are smart meters? Why are they being rolled out? What are the benefits? What is being done to protect customer's privacy? Are meters a radiation risk?

b) Agreeing core messages for inclusion in all smart meter packs which are given to consumers during installation of the meters and minimum standards for verbal and hard copy advice. This should form part of the proposed code of practice (see Question 5).

✓ Create a smart metering brand and joint branding

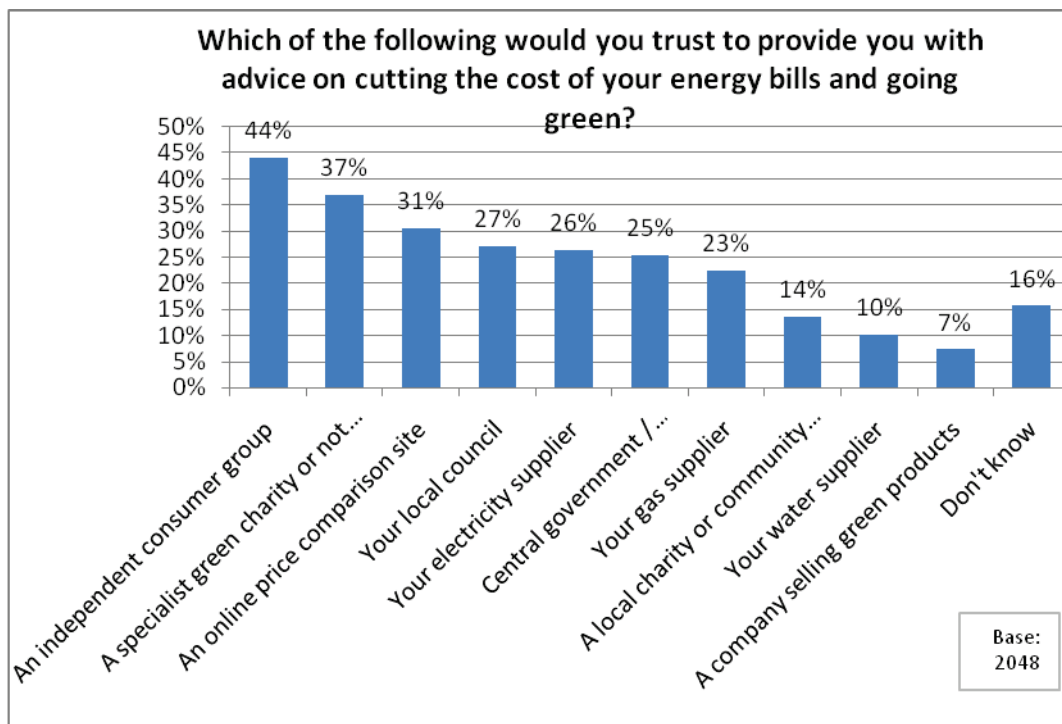
We are supportive of the development of an overarching brand that covers the broad range of Government's low carbon and sustainable consumption policies, and appeals to consumers' values and attitudes. This is likely to require a greater focus on financial benefits than 'green' or 'CO₂'. The strongest example that we have found to date is from Queensland where a 'smart' label is used to cover the financial, health and carbon benefits of sustainable consumption across a range of sectors²⁶. Any brand must be market tested.

A clear smart meter strand within this overarching brand and joint branding with trusted bodies should also be used on key communications such as the smart meter pack provided by suppliers during the installation visit. Bodies such as Age UK, Energy Saving Trust or the local council can add credibility and promote acceptance.

Joint branding and partnership work is essential. Consumer Focus research suggests there is no single channel that is trusted to give people advice on cutting the cost of energy bills and going green (see Chart 1 below)²⁷.

²⁶ See <http://bit.ly/hMrKRH>

²⁷ Opcit online survey of 2,048 consumers aged over 18 years conducted by ICM on behalf of Consumer Focus. Full findings will be available in November 2010



(Chart 1)

- Develop strong partnerships and mobilising support networks
 One of the main drivers for behaviour change is word of mouth – finding out from friends, neighbours and trusted people about their positive experiences. As noted, Consumer Focus supports suppliers having the flexibility to respond and promote customer pull for this reason. The body should be responsible for facilitating partnerships with commercial and third sector agencies at grass roots level to help during rollout eg health authorities, police, local businesses as well as community groups. Mobilising the ‘Big Society’ was a key part of the Digital Switchover campaign. They reportedly had 1,000 volunteers for just the Granada TV region of Greater Manchester²⁸. Informal networks are particularly useful in helping to reach hard to contact groups or provide additional help and support for vulnerable customers.
- Provide a central point of contact for local authorities and other third parties
 Without a single point of contact, third parties have the inconvenience of numerous bilateral agreements with six main suppliers and numerous smaller ones not including non-domestic suppliers. Consumer Focus believes that local councils should also play a lead role in the smart meter rollout and can help promote engagement – see also Question 1. Councils will need information and guidance on the rollout, the benefits to their local community and how they can play an active role. There may also need incentives to get community groups and champions involved.

For example, the Digital Switchover campaign has identified a key role for councils. They produced resources to help them understand how the change might impact on their services and developed templates for them to use to write articles for local papers and magazines.

²⁸ Presentation to the Consumer Advisory Group on 18 February (2010) by Anna Popova
<http://bit.ly/h8i6tS>

In particular, they recognise the need for locally specific advice, and that councils are a key point of contact for local information for many people. Hampshire County Council has employed a member of staff to help the smooth transition to the Digital Switchover, including helping identify rogue traders. In West Devon, they are combining information on the Digital Switchover with other information on local services, spreading information more and reducing costs by joining services.

- Trial and showcase best practice

The body should be responsible for showcasing best practice projects and also shining a spotlight on individual customers who have benefitted and taken action to encourage other consumers and agencies to do the same. Identified best practice should inform the review of the supplier installation code of practice and marketing code of practice. As mentioned, further piloting needs to take place. It is crucial that pilots only test what might be affordable to do more widely. As with the Low Carbon Network Fund, transparency of findings will need to be encouraged so that learning can be shared.

- Develop a tailored service to help low income customers and extra help for vulnerable consumers

Smart meter rollout provides a unique opportunity to contact and deliver assistance to low income and vulnerable consumers including hard to reach residents. The proposed body could develop an extra help service which mobilises local support networks and co-ordinates the delivery of smart meter rollout alongside local and national assistance schemes. Consideration will have to be given to the depth and breadth of any programme and trialled appropriately. A priority service could include:

- benefits maximisation for customers
- lowest cost tariff advice
- energy efficiency audit and basic measures such as draught-proofing and hot water tank insulation
- energy efficiency advice
- referral to grant programmes for energy efficiency measures
- alert people to the priority services register
- link up with local schemes and third party advice eg on debt

For example, Digital Switchover identified additional help to ensure that 'no one was left behind'. This included the development of a separate Help Scheme including an option to request a chaperone or have a family member present during the engineers visit.²⁹

- ✓ Co-ordinate installation at a community or area based rollout – (see Question 1)

Other factors that will impact consumer engagement

- ✓ Effective consumer protections are key to consumer trust.

Smart-ready protections must be in place to deter sharp practice by industry and prevent negative customer experiences from smart metering. Not only is it essential to put safeguards in place but it is also important be seen to be addressing the problems.

²⁹ Opcit. Presentation to the Consumer Advisory Group on 18 February by Anna Popova

Our Consumer Conditions survey 2009, found not unsurprisingly that confidence tends to be lower in markets that have been affected by recent events and media coverage³⁰. It is critical that the desire to significantly accelerate rollout does not lead to short cuts on consumer protections. Any weaknesses in existing protections will only be exacerbated by the pace of installations. Perceived risk can be as dangerous to engagement as actual risk. The halting of smart meter rollout in the Netherlands and parts of the US because of concerns around 'socket snoopers' and radiation are reminders of the importance of addressing customer concerns early on.

- ✓ Customer service and complaint handling and redress
Consideration must be given to an independent hotline for information and support services around smart metering installation and impartial advice on energy efficiency measures and how to cut energy bills. Industry should provide a free phone hotline (free from mobiles as well as landlines) to smart meter customers as a first port of call and set up fast track procedures for resolution of complaints. As mentioned inadequate complaint handling and customer service was identified by the Californian regulator as a key contributory factor to the public backlash against PG&E smart meters in their independent report.³¹
- ✓ Perceived cost of meters
If customers think they have to pay a direct cost for smart meters and displays or feel they are paying more for their energy as a result of the installation this will lead to consumer resistance. It is important therefore that TOU tariffs are not introduced alongside smart meter installation. Lessons must be learnt from California in the US, Victoria, Australia and Ontario, Canada in this regard.
- ✓ Convenience
Disruption and inconvenience to the customer must be kept to a minimum. This is addressed in our proposals for the installation code of practice (Question 13).
- ✓ Regulation and incentives to encourage suppliers to deliver behaviour change
Ofgem and Government will need to give careful consideration to the regulatory framework for industry to ensure the necessary sticks and carrots are in place to encourage partnerships to deliver both the social and environmental goals of smart metering and Green Deal. The proposed codes of practice has a crucial role here.

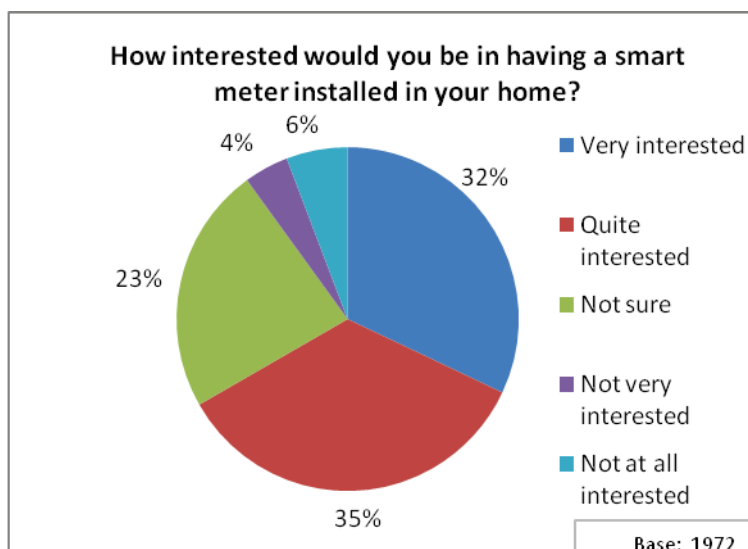
Consumer interest – a snapshot

Consumer Focus online research (March 2010) found that when the benefits of smart meters with displays were explained, 67 per cent of people were either quite interested or very interested in having a smart meter installed in their home. Only 10 per cent were not interested while 23 per cent were unsure. This will be followed up by face to face research in January 2011.

³⁰ Consumer Focus, 2009 Consumer Conditions survey, <http://consumerfocus.org.uk/g/4m8>
This compared consumers' ratings of 45 markets on the basis of choice, meeting of expectations, consumer rights, trustworthiness, and the comparability of quality and prices

³¹ *PG&E Advanced Metering Assessment Report* commissioned by the California Public Utilities Commission. Prepared by Structure. September 2010. <http://bit.ly/eV6YTr>

Customer confidence is fragile and can be easily damaged but this is arguably an encouraging starting point in terms of consumer acceptance³².



(Chart 2)

Customers were told the following before being asked how interested they were in having a smart meter:

By 2020 all homes in Britain are required to have smart meters. This is a new generation of gas and electricity meter. Smart meters should help end estimate billing, reduce the cost of prepayment meter tariffs, and tell you exactly how much gas and electricity you are using at any one time. This information will be in pounds and pence and could help you better understand how your home is using energy at a given point.

Question 5: How should a code of practice on providing customer information and support be developed and what mechanism should be in place for updating it?

Consumer Focus supports the proposal to oblige suppliers to comply with minimum standards of information provision and support for customers. This is essential to help give consumers the tools they need to more effectively manage their energy consumption. It is also important to maximise the benefits to vulnerable and low income customers. However, we question the mechanism proposed to deliver this.

- We seek clarity as to the rationale behind a separate code rather than this being a section of the proposed supplier installation code of practice and how this sits alongside existing protections on information, advice and support
- Some requirements might better sit within updated licence conditions. This may be particularly the case with regards to advice and support for vulnerable consumers and given the importance of behaviour change to delivering a positive business case for smart meter rollout
- It is unclear if it is proposed that this separate code is underpinned by a licence condition or is a voluntary part of the proposed installation code of practice. Voluntary codes have a chequered track record of delivering protection for consumers. For example while the EnergySure Code on face to face marketing may have addressed some of the worse aspects of misselling, it did nothing to tackle the more subtle forms and as a result more than 40 per cent of consumers switched to a worse deal³³

³² [Opcit](#) Online survey of 1,972 consumers aged over 18 years conducted by ICM on behalf of Consumer Focus. Full findings will be available in November 2010.

³³ *Energy Supply Probe – Initial Findings Report* October 2008. p.7 para. 1.13. The investigation found that as many as one third of consumers did not receive a price reduction when they switched. This rose to 45 per cent for PPM customers. For direct sales the figure was 48 per cent for gas and 42 per cent for electricity.

Whatever the mechanism that is selected, Consumer Focus strongly supports the proposal that there needs to be some obligation on suppliers to meet minimum standards for the following:

- Information, advice and support made available before, during and after the installation and as part of the wider campaign. As suggested, we agree that follow up support is likely to play an important role in maintaining and delivering the required energy reduction
- Demonstrations provided in using in-home displays (IHDs) and meters including for customers who have particular needs eg sight impaired, dexterity problems – for more information see our consultation response on displays
- Tailored additional information and support for low income and vulnerable consumers. For example, this may include information on priority services register, referrals to grants for energy efficiency measures. This will also need to form part of a wider extra help programme – see Question 13

These should apply on change of residence as well as during installation if they have not had a smart meter or IHD before.

Information provided to customers – minimum standards for suppliers

- We strongly support the proposal that suppliers should be obliged to make it clear where customers can find information on becoming more energy efficient and going green. There should be signposting (or referrals in the case of free grants for low income households) to at least one free independent source of advice
- Agreed core common smart meter messaging eg What is a smart meter? Why are they being deployed? as mentioned in Question 4, to help maximise consumer confidence
- Core standardised messages for inclusion in verbal advice and hard copy information left with consumers during the home visit eg smart meter packs
- Consumer Focus is currently working with partners to develop agreed energy and water efficiency messages for use by suppliers during rollout of smart meters. This was prompted by suppliers saying that there was confusion on the best messages to include to promote behaviour change
- Direct Debit information – customers will need to be prepared for the consequences of getting an accurate bill. For example, it could mean that their bill is much higher than usual – if in winter and they are using a lot of energy; or much lower than usual if at the end of summer. Also the fact that they may be given a bill for energy undercharged as a result of being on a Direct Debit that is too low or be given a credit if they have overpaid. Customer expectations need to be managed in this regard. Consumer Focus supports customers still having the option of a fixed amount Direct Debit to help them budget across the seasons
- Remote enablement of supply – if all gas meters have valves, every customer should get basic information on how to safely reconnect their supply if disconnected
- An explanation that the amount shown on their display will be different to the amount that they will be charged on their final bill. This is particularly important for low income consumers who may use their display to help them budget and could end up out of pocket if their final bill is higher

We agree that suppliers should have broad flexibility around how information and support is delivered to allow for competitive differentiation given the proposed rollout model, but believe that some standardisation will be necessary to ensure that all customers can easily access key information eg:

- The location and size of key information such as signposting to independent advice on energy efficiency services and tariffs, which it may not be in the suppliers interests to put in a prominent place
- Energy and water efficiency messages
- Mandating a freephone helpline – free from mobiles as well as landlines

How these rules link to protections under the Office of Fair Trading (OFT), Ofcom and Green Deal policy work needs to be considered from the customer perspective to ensure a seamless and easy to understand approach.

See **Question 13** on the Code of Practice for comments on how it should be developed, monitored and updated.

Question 6: Do you agree with the proposed obligation on suppliers to take all reasonable steps to install smart meters for their customers? How should a completed installation be defined?

Consumer Focus broadly supports the proposed obligation on suppliers to take all reasonable steps to install meters:

- a. On request from a customer for installation
- b. On request from the proposed central co-ordination and campaigns body or equivalent where this is to facilitate programmes delivering wider benefits eg smart grids
- c. By an end date specified by Government

Very detailed guidance will need to be developed to define what ‘reasonable steps’ is. This may need to be updated regularly as technological solutions are likely to develop over the course of the programme and economic drivers change.

Guidance should challenge suppliers to improve their practices. It should be based on best practice solutions internationally and not limited by suppliers’ current capabilities or individual operating practices. This is particularly important as there are fairness implications around customers who want a meter and are paying for one, but not able to get one.

The benchmark for what is ‘all reasonable steps’ will need to be set high. It could undermine the credibility of the programme if a significant number of customers requesting meters are told they are not able to have one installed, while the general message is that the Government says they should have one.

We appreciate the challenges of developing such a blanket test – weighing up the costs and benefits of obliging suppliers to install meters in homes now when solutions might be cheaper later in the programme for example.

Consumer Focus does not support individual customers having to pay for any additional work that needs to be done in the home to install a smart meter or display. If customers in ‘hard to fit’ homes are charged that would have additional implications in terms of potential customer backlash. There may also be practical challenges where the customer’s energy is usually paid for by their landlord.

Care will also need to be taken that there is consistency of approach across all customer and social groups. As a safeguard, reporting will need to be carried out to ensure that no one particular group is consistently disadvantaged by this approach. If problems are identified, these must be addressed.

Government needs to set a completion date for the rollout of smart meters. Consumer Focus believes that all consumers should be able to have a smart meter installed by this date if they want one. If this is made clear to suppliers, it may limit any inclination to only go for 'low-hanging, or particularly commercially attractive, fruit' in the early stages. The European Directive after all only has a target of at least 80 per cent of electricity consumers having intelligent metering by 2020 – this could send the wrong message.

If any customer is unable to have a smart meter installed due to technical barriers, they should not be expected to pay for rollout or face any detriment as a result of having a standard meter eg be charged more because they are on an old system.

Every step must be taken to provide them with alternative options to get the same benefits of smart metering. For example a commitment to physically read the meter on a monthly basis so the customer gets accurate bills might be considered. This would further incentivise suppliers to get the smart meters installed.

Ofgem should also consider if suppliers should be obliged to respond to requests for meters within a given time period or whether the threat of a customer switching is enough of an incentive for the supplier to do this. Particular consideration will need to be given to the drivers around low income customers.

How should completed installations be defined?

We suggest that Ofgem develops a checklist of the functions that they expect smart metering technology to deliver and check that this is happening in practice before an installation is deemed to be completed.

From a consumer perspective this would mean a separate IHD, smart meter, home area network and wide area network have been installed which a) comply with the agreed minimum standards³⁴ and b) are fully operational. This is done in a way so the customer is able to access all the intended benefits of the minimum functionality. For example:

- The customer has received their first accurate bill – Consumer Direct data and experiences from overseas highlight that some customers are receiving estimate bills many months after the installation of their smart meter
- The customer is able to switch between credit and prepayment functions remotely
- If a smart meter is installed without an operational gas valve and the customer cannot switch to prepay remotely, this should not count as an installation as the meter is not fully compliant with the minimum functionality
- The customer can access real-time or near real-time information on their display – experience from overseas and the EDRP trials reports problems with in-home communications show this is important

Any minimum standards under the proposed supplier code of practice for installation should also have been met, including for advice and support prior, during and post installation of the meter.

Ofgem might also consider if there needs to be some standards around reliability of the installed technology before an installation is deemed to be complete. For example, if the in-home communications technology only works intermittently – is the installation considered complete? There is no point in an installation being deemed complete if it is not properly operational.

³⁴ This is particularly important as many of the smart meters currently being installed do not meet the proposed minimum functionality.

Also, whether the installation of a dual wallet meter covering both gas and electricity would count as one or two meters having been installed – this could have unintended consequences, incentivising installation of these meters, which might not be in the best interests of consumers and competition.

We seek clarity on what further information Ofgem expects will have to be given to customers that receive a meter pre-Data Collection Company (DCC). We agree that further information will be needed for situations where a customer does not want to receive an IHD.

Customer choice

Consumer Focus believes that at present customers should have a choice in whether they have a smart meter and display installed. There should be no penalty for refusal to accept a smart meter. Emphasis should be on winning hearts and minds. Consumer Focus would welcome clarity on the Government's position in this regard.

Question 7: Do you think there is a need for interim targets and, if so, at what frequency should they be set?

Question 8: Do you have any views on the form these targets should take and whether they should apply to all suppliers?

Government needs to set an end date for the completion of rollout before interim targets can be decided.

Consumer Focus has concerns about the unintended consequences of interim targets for the number of meters installed, especially in the early stages of the rollout. Suppliers are at very different stages of preparation for smart metering and our fear would be that in the rush to install meters and comply with this licence condition that the quality of the customer experience could be sacrificed and detriment to customers increased.

Targets must also be focused on the quality of the customer experience and its contribution to delivering the wider consumer benefits – not just getting the meters on the wall.

We support interim targets in the following instances:

- Where they incentivise and enable co-ordinated or area-based activity which brings broader benefits eg to enable smart grid projects, or the delivery of local fuel poverty programmes which bring wider benefits to consumers
- To incentivise a fair distribution of meters where concerns have been identified that there will be a delay in the delivery of smart meters to certain consumer groups or geographic areas
- To monitor the quality of the customer experience – customer satisfaction is key. Consumers are less likely to care about when the smart meter was installed than if they have problems with it
- For energy reduction linked to the suppliers' obligation – though we appreciate the challenges in this

Small suppliers

Consumer Focus believes that targets related to the quality of customer experience should apply to small suppliers but not the targets for overall installation numbers.

Question 9: What rate of installation of smart meters is achievable and what implications would this have?

This is a question for industry. However, Consumer Focus believes that the rate of installation chosen should enable customers to get the information, advice and support they need during the home visit so they can use their smart meter and display to better manage their energy use. Also, to enable additional help to be provided to low income and vulnerable consumers and to ensure a positive customer experience and minimise the amount of time they have to spend waiting for the installer.

Question 10: Do you have any evidence to show that there are benefits or challenges in prioritising particular consumer groups or meter types?

With regard to domestic consumers, Consumer Focus is minded to support the proposal that at this stage no one *group* of customers should be prioritised. This should be kept under review as it is essential that no one group is left behind. However, priority should be given to supporting existing local and national schemes which promote energy efficiency and tackle fuel poverty, including social housing strategies.

We would also recommend that PPM customers get meters as a priority if:

- Robust protections are in place
- Cost savings are passed on to consumers
- Misdirected payment issues have been addressed
- There are guarantees around improvements in customer service, including payment options.
- Interoperability problems are resolved
- Technology, including displays is prepayment ready

At present little consideration seems to have been given to the prepayment functionality in the proposed meter and display specification. We are concerned that levels of service for PPM customers may decline rather than increase unless more attention is given to this.

Prepayment meter customers

Prioritising rollout to PPM customers could bring particular benefits to the estimated 6.37 million PPM customers in Great Britain in terms of relatively cheaper tariffs and improved customer service.

Paying by a PPM is one of the most expensive payment methods. Dual fuel prepayment meter tariffs cost on average £79 more than monthly Direct Debit and £230 more than online monthly Direct Debit so there could be valuable savings to customers³⁵. If all meters have prepay functionality installed as standard this should reduce the costs to serve. DECC estimates that there could be 40 per cent reduction in costs to serve, representing an annual saving of £12 per electricity PPM and £16 per gas PPM³⁶. In addition to reduction in maintenance and service needs there would be the benefits that accrue to suppliers from their customers paying upfront (in terms of eliminating the firm's exposure to default risk and improving their short term cash flow position) and reduced debt costs. Smart metering has the potential to open up the prepayment market across a range of demographics and therefore drive competition in a way that has been absent.

³⁵ Consumer Focus Pricing Analysis, 1 October 2010. Price based on the following: Based on medium user (20,500kWh gas, 3,300kWh elec); PPM standard tariff; online cheapest dual fuel deal; Average of all distribution regions; Including VAT

³⁶ *Impact Assessment of GB-wide roll out for the domestic sector*. December 2009. P.27

Consumer interest in the prepayment meter market is currently restricted by:

- a. the high cost of tariffs
- b. the hassle involved in having a separate meter installed to switch payment type
- c. the inconvenience of top-up which can often lead to self-disconnection
- d. the stigma associated with what is seen as a payment method of last resort by many people.

Smart meters which are prepay ready (in the case of gas include a valve) would remove the need for a separate meter visit and could facilitate switching between suppliers. Smart technology could also remove further barriers to customer interest by facilitating a greater convenience of top-up methods eg by text message, internet, phone, in-home display, cash point. As popularity for prepay energy grows, we would also expect the stigma attached to PPMs to decline. Stimulating competition and removing barriers to consumer uptake should in turn further drive down costs³⁷. Assuming any savings are passed on to customers this should result in relatively cheaper tariffs. This is particularly important as Consumer Focus research *Cutting Back, Cutting Down, Cutting Off* found that PPM customers are disproportionately on low incomes³⁸.

Our research also highlighted that a significant number of PPM customers find maintaining the credit on their meter inconvenient, often resulting in them self-disconnecting. As mentioned, smart meters could help facilitate improvements in customer service, such as increased flexibility of top-up options or greater flexibility around emergency or friendly credit. Being able to top up by phone, cash point or internet and friendlier credit could help to address some of the causes of self-disconnection.

However, there is no guarantee that customer service improvements would take place without more 'able to pay' customers signing up to pay as you go energy, as this market is notoriously uncompetitive. For more comment on this see Annex 4 on smart prepay from *Cutting Back, Cutting Down, Cutting off*³⁹.

Obliging suppliers to target PPM households may be necessary as the cost of the asset is likely to be greater than other meters and therefore the commercial incentive is to leave them in place as long as possible.

In terms of the environmental drivers – PPM customers are less likely to see the same percentage energy reductions as the IA highlights. If PPM customers are prioritised care must be taken to ensure that smart meters are not stigmatised as something for the poor.

Private rented accommodation/high-tenancy movement

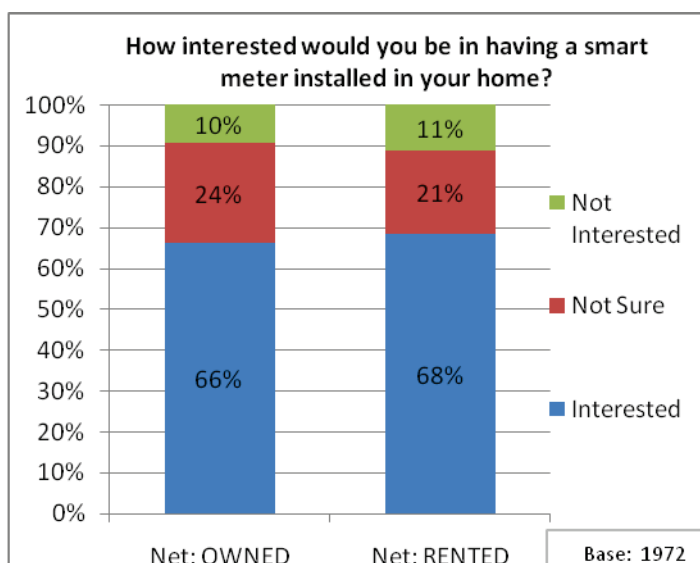
Linked to the above, our research showed that in nearly one in three cases, a PPM had been installed by the landlord, and the occupier was not allowed to remove it. If a meter can be remotely switched from prepayment to credit and vice versa it should help remove some of the barriers private rented customers face when trying to switch payment method and access cheaper deals. As mentioned, dual fuel PPM tariffs cost on average £230 more per year than online monthly Direct Debit, so there could be valuable savings to customers who can switch to these deals.

³⁷ See Consumer Focus's response to DECC's investigation into gas valves and Annex 4 of the *Cutting Back, Cutting Down, Cutting off* below.

³⁸ *Cutting Back, Cutting Down, Cutting off* <http://consumerfocus.org.uk/g/4lx> - the biggest ever study of prepayment meter (PPM) energy customers. The study explored attitudes to this payment method, and the extent to which PPM customers self-ration or self-disconnect.

³⁹ *Ibid*

Our research suggests that a slightly higher number of customers renting than home owners would be interested in having a smart meter installed⁴⁰. It may be a case that the drivers are already in place for suppliers to install meters in areas with high levels of tenancy changes.



(Chart 3)

Customers who want a smart meter/early adopters

As mentioned, there is international evidence to suggest that one of the main drivers for behaviour change is word of mouth – finding out from friends, neighbours and trusted people about their positive experiences⁴¹. Assuming smart metering will be a positive experience, we think there is an advantage in suppliers responding to customer demand for smart meters and displays within a given time period. These customers may also be more willing to contact their supplier to sort out any teething problems with the technology.

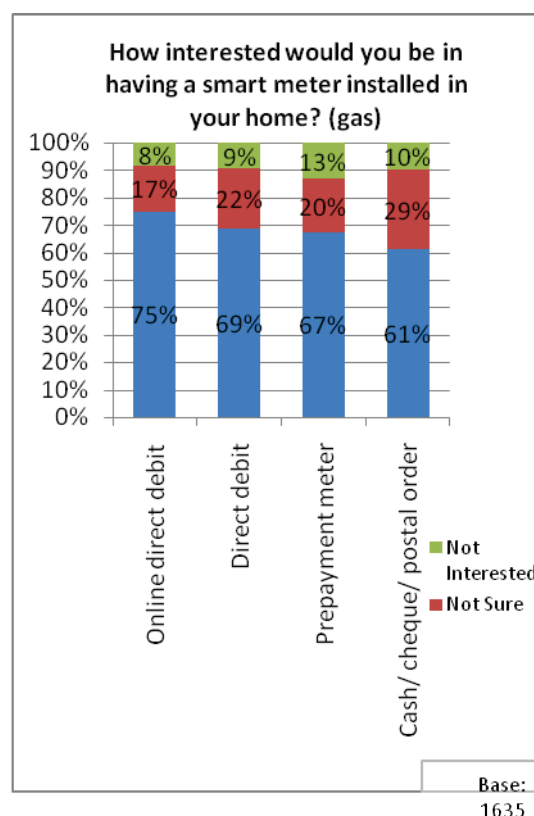
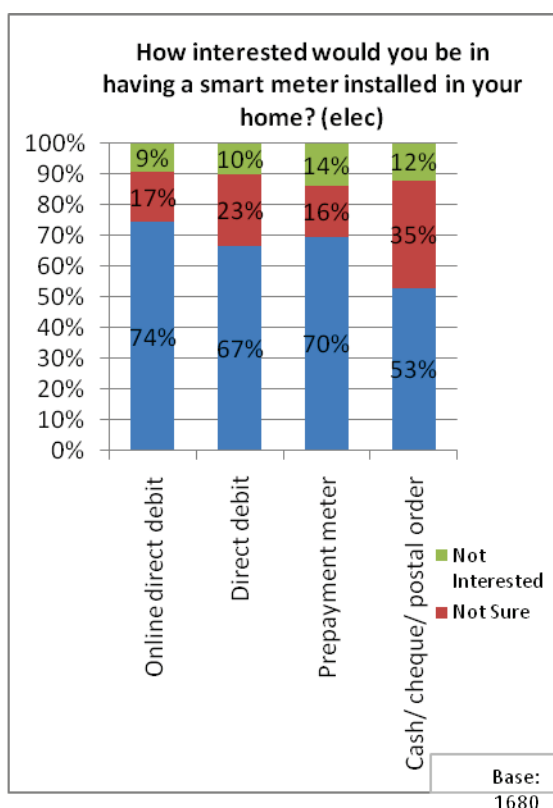
Cash/cheque customers

There may be benefits to cash/cheque or postal order customers in terms of greater flexibility and cheaper payment options resulting from smart metering. But our research shows that these customers are much less likely to be interested in having a smart meter installed than those paying by online Direct Debit (see below)⁴². Care will have to be taken to ensure that these customers don't get left behind.

⁴⁰ This was an online survey of 2,048 consumers aged over 18 years conducted by ICM on behalf of Consumer Focus. Full findings will be available in November 2010.

⁴¹ *Green Deal or No Deal*. Consumer Focus research on customer engagement in sustainability and energy efficiency October 2010. See *Fostering Sustainable Behaviour: Community based social marketing*. www.cbsm.com

⁴² This was an online survey of 2,048 consumers aged over 18 years conducted by ICM on behalf of Consumer Focus. Full findings will be available in November 2010.



(Charts 4&5)

Teleswitching customers

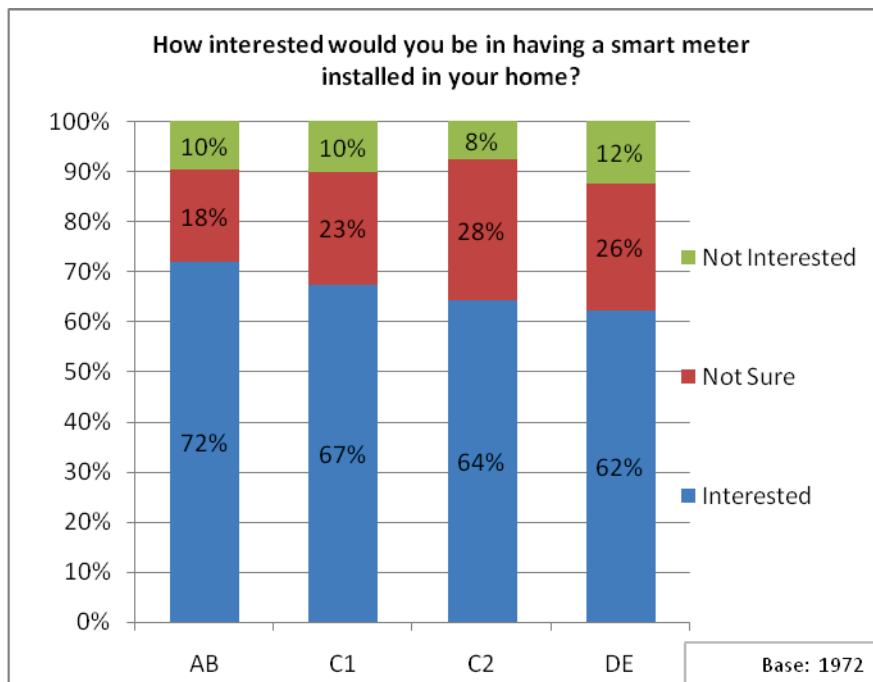
There may be a commercial incentive to prioritise the rollout of smart meters to teleswitching customers given that the analogue signal is due to be switched off in 2014. However, great care and preparation must be taken when managing teleswitching customers' transition to smart meters. Many customers are on very competitively priced deals, and any move to take them off of their old tariffs is likely to result in a significant increase in their average energy bills. This could result in a consumer backlash.

Low income

More research is needed on the impact of smart metering on low income households – whether they are likely to see the same percentage reductions in energy use, or be able to benefit from TOU tariffs.

Consumer Focus research suggests that as you move down the socio-economic scale, interest in having a smart meter installed decreases. Reaching low income households may be particularly challenging and care must be taken to ensure these groups are not left behind. There are lessons to be learnt from the experience of moving from token meters to key meters which need to be shared throughout industry.

Our research found that those customers who weren't interested in having a meter installed either felt that there was no benefit to them as they already did everything they could to reduce their energy or because they were worried about it costing them money. This suggests that barriers could be overcome by better marketing and a well designed help scheme and making it clear that the meter and display will not directly cost the consumer.



(Chart 6)

Consumer Focus is pressing for extra help for low income and vulnerable customers. This might include a benefits entitlement check, information on lowest cost tariffs, an energy efficiency audit and referrals to energy efficiency grants.

While identifying customers in fuel poverty can be challenging this should not be a reason for inaction. There are many proxies for fuel poverty that could be used including the group the Government itself has identified as some of the poorest and most vulnerable residents – those in receipt of Cold Weather Payments. If an extra help scheme is adopted then there would be a strong driver to install smart meters in low income households as a priority.

There is also a compelling argument for installations to be prioritised where they align with existing fuel poverty and energy efficiency programmes eg CESP or Warm Zones and also for social landlord schemes. This could also result in wider cost savings.

We have some concerns that suppliers are prioritising smart meter installations in low income areas. This may be because if they are able to remotely switch customers to prepayment they can reduce their exposure to debt. It is crucial that effective protections are in place around remote switching to and from prepayment so that customers continue to have a choice of payment options when they are struggling to afford to pay their energy bill.

Vulnerable consumers

There will inevitably be some teething problems in the early stages of rollout. It is important that smart meters are not installed in the homes of those who may be least able to deal with technological problems. Certainly, rollout to customers with particular disabilities eg sight impaired, or dexterity problems should not be prioritised until displays have been developed to meet their needs. See Consumer Focus's response to the In-Home Displays consultation for more comment. As technology develops there may be an argument to target those customers who can benefit from remote health solutions. Suppliers' priority services registers may help with identifying some customers who would need a tailored approach but the limitations of these must be recognised.

Experience from the switching of PPM customers from token to key meters, highlights that vulnerable consumers are often the ones who are left behind when change is introduced. Lessons from this need to be shared, in particular in terms of communications to vulnerable consumers

Consumers in hard to treat properties (without mains gas or in solid walled dwellings)

Consumers in rural areas (especially those without mains gas) may be best placed to benefit from micro-generation and low carbon technologies – though the likelihood is, if they are engaged enough to use low carbon technologies, they will request a meter.

Those living in hard to treat properties are less likely to be able to use traditional energy efficiency measures such as cavity wall insulation. For them, behaviour change, facilitated by smart meters may well be one of the few options available to help reduce energy use.

Question 11: Do you agree with our proposed approach to requiring suppliers to report on progress with the smart meter rollout? What information should suppliers be obliged to report and how frequently?

We broadly support the proposed approach to reporting. Suppliers should be obliged to send in figures quarterly and report annually on:

- Number of fully compliant smart meters installed and operational
- Number of stand-alone displays installed – this is important as there are strong commercial drivers for suppliers not to install separate displays eg the installation process would be faster and the additional cost of the display not incurred
- Categories of consumers who have received meters including single fuel/dual fuel, off-gas, payment type. Also geographic areas they have installed meters in, including rural/urban differences. Experience from the delivery of CERT measures, while not directly comparable, is still a reminder that commercial drivers and the tendency towards ‘low hanging fruit’ may not result in a fair distribution of smart meters in a way that best benefits customers
- Types of meters and technology installed – dual wallet, single wallet. Further consideration needs to be given to the implications of this
- Dwelling type to identify if there are any particular problems with certain types of buildings where cross-industry solutions need to be developed
- Whether it was part of a trial or local project – to measure the success of area based approaches and partnership working
- Whether it was customer pull or a supplier initiated exchange – this will help measure the success of campaigning efforts
- Customer complaints and satisfaction – there should also be independent monitoring of this
- Compliance with the proposed code of practices, including help delivered to low income and vulnerable consumers

While we recognise that reporting places a burden on suppliers, we strongly agree that it is important to ensure transparency, accountability and fairness.

Financial reporting

See comments in Consumer Protections response.

Reporting on benefits

We recognise the challenges of reporting on benefits, particularly energy saving, but nonetheless believe that this is crucial if the programme is to have any credibility. It would be unacceptable for a multi-billion pound rollout not to be monitored in such a way to ensure that the intended outcomes were delivered. This is particularly important as it will be a Government mandated programme. Reporting will give early warning of any problems and enable a revised approach where necessary.

We would welcome involvement in the development of information to be collected and mechanisms for measuring the smart meter programme. It will be important to capture not only those benefits identified in the IA but also potential social benefits and wider cost savings to tax payers from synergies with local, regional and national programmes. See also our response to the Consumer Protections consultation.

Question 13: Do you agree with our proposal to require suppliers to develop codes of practice around the installation process? Are there any other aspects that should be included in these codes of practice?

Yes, Consumer Focus supports the introduction of a mandatory supplier installation code of practice underpinned by a licence condition. We agree that such a code would be useful to ensure that customers receive a consistent and positive experience of smart metering. However, we also think that it should play a role in ensuring that suppliers give customers the help and advice they need to reduce their energy consumption and cut their bills and in doing so deliver the consumer benefits identified in the IA. There also needs to be not just a dedicated help scheme for vulnerable consumers but also an enhanced service for low income customers.

Role of the code – overview

We see the role of the code as to:

- Ensure the consumer experience of the home visit of smart metering is a positive one
- Apply to not just the installation visit but to change of tenancy when the customer has not had a smart meter before
- Ensure consistently high quality of service for all customers regardless of who their supplier is or the customer's circumstances
- Help ensure the delivery of consumer benefits of smart metering where the competitive market does not provide enough of a driver. This includes ensuring that all consumers have the information and support they need to reduce their energy consumption and the provision of extra help to low income and vulnerable people

Broad scope of the code

- We think that the code should cover all domestic consumers regardless of whether they have requested a meter or not
- Should apply not just the installation visit but also change of tenancy when the customer has not had a smart meter before
- The code should be mandatory, underpinned by a licence condition. The obligation must be on the suppliers to comply with the code

- Micro-businesses should also be covered
- We anticipate that code would be a regulatory document. We do not expect it be given to consumers, but it should be available to them on request or available on the supplier's website. Therefore it needs to be in consumer friendly language
- A separate Customer Charter should be developed as a consumer facing document (see below)
- The code should cover, pre, during and post the installation visit. Further consideration will need to be given as precisely when the code starts to apply and ends and how it dovetails with wider licence conditions
- The definition of a 'completed installation' (See question 6) should include full compliance with this proposed installation code of practice. An installation should not count towards a suppliers target until this time
- Depending on what is decided around the engagement strategy, there may need to be a separate code that covers compliance with the aims of the smart meter engagement campaign delivery body and covers wider messaging outside of the installation visit is needed. The Code should dovetail with the marketing code of practice proposed in Question 5
- The Code outlines minimum standards. We would expect suppliers in a competitive market to strive to improve on these proposals

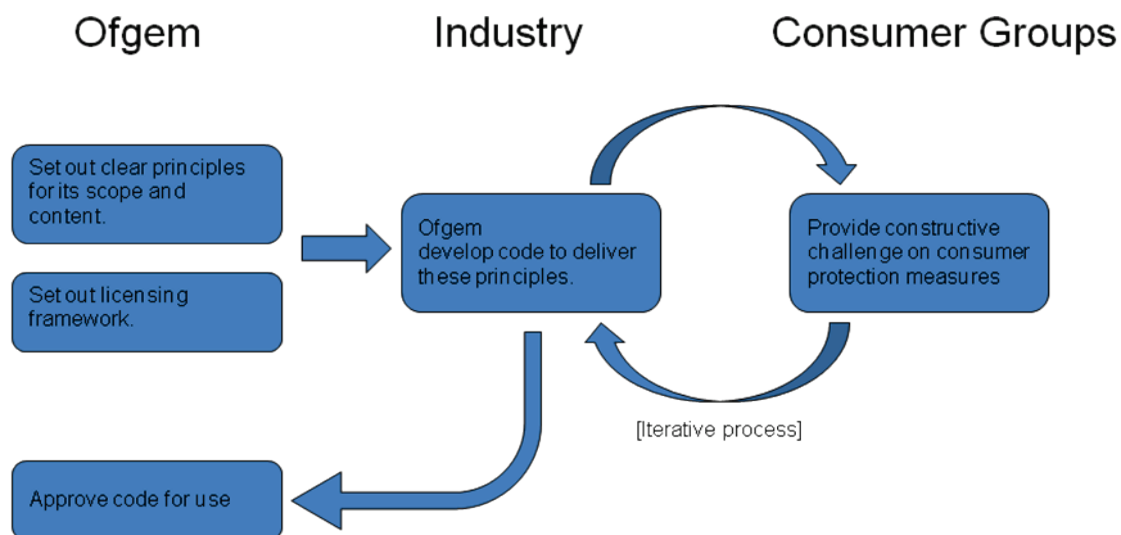
Customer Charter

Consumer Focus believes that suppliers should develop a customer facing Charter alongside the code of practice. This is a more consumer facing document that would make commitments around quality of service and help to give consumers peace of mind.

Development of the code

The ERA is already taking the lead on developing an installation code of practice. Consumer Focus has been working with industry on the code to help accelerate this process. However, we would not expect this to be interpreted as us legitimising a voluntary approach. A voluntary approach is not sufficient and there must be formal consultation by Ofgem with an appropriate governance framework put in place. It is important that Ofgem sets out clear principles for the code's scope and content to define industry's activity. It is important that small suppliers also have a formal role in its development. We are not aware that they have all been involved in ERA's activity to date.

A clear timetable for development and implementation of the code must be outlined. If the code is likely to take some months to develop, we would seek a voluntary agreement from industry that they will comply with an interim code until a formal mechanism is in place. This will ensure that customers who receive meters early have a better chance of getting the same level of customer service, support and advice as those who receive their meters after the formal code is in place. The code of practice needs to be subject to the approval Ofgem.



The code should be:

- Reviewed regularly - especially in the early stages of rollout as there will no doubt be issues that arise and lessons learnt
- Auditable and audited – there will need to be periodic reporting on any thematic or systemic issues that might need attention
- Metrics for compliance need to be agreed and applied
- There should be credible and independent oversight which includes consumer representatives and installers with first-hand experience of the practicalities on the ground
- Any code objectives should be focussed on the consumer perspective
- As stated it should be underpinned by a licence condition. Suppliers need to comply with the Code and would face enforcement action if they fail to do so
- Consumer representatives should be able to raise compliance issues

Code content

On 8 September 2010 Consumer Focus hosted a workshop of consumer groups to discuss the code of practice and a best practice Customer Charter. This was attended by representatives from Age UK, Citizens Advice, Fuel Poverty Advisory Group (FPAG), National Energy Action and Sustainability First. Energy Savings Trust, Green Alliance, National Housing Federation Which?, also subsequently fed in their views. These are outlined in full in Appendix 1 along with further comments from Consumer Focus. These views were then presented to Ofgem at their code of practice workshop on 30 September 2010. See the Consumer Focus or Ofgem website for our presentation.

Recommended next steps

- Consumer Focus seeks further clarity as to how the proposed marketing code of practice and the supplier installation code of practice might sit alongside each other, and alongside any kind of engagement body
- We seek further clarification as to whether it is proposed that both codes are underpinned by a licence condition which allows for enforcement action

- We believe that careful consideration is needed as to how both codes interplay with existing licence conditions. There will be some instances where updated licence conditions will be necessary rather than inclusion in the code. We would expect the need for cross references to licence conditions
- While we recognise that licensees are taking the lead in developing a code of practice, a clear steer will be needed from Ofgem in a number of key areas where there is currently no consensus between industry and consumer groups:
 - The level of advice, information and support given to the customer during the visit
 - Choice of displays – inclusivity by design
 - Sales and marketing during the in-home visit and via displays
 - Installation appointment window – two hours or an appointment time versus a morning or afternoon slot
 - Data protection and privacy issues – how customers opt in and out of sharing data – for more information see Consumer Focus’s response on data protection and privacy issues
 - Extra help for low income and vulnerable customers – little discussion has taken place on this but we believe an extra help scheme needs to be developed as a matter of urgency. Failure to do this would be a missed opportunity

See Appendix 1 Supplier installation code of practice (below).

Appendix 1 Supplier installation code of practice

Proposals from the consumer workshop (September 2010)

Consumer Focus held a consumer workshop on 8 September 2010 to help establish a common view on the content of the proposed supplier installation code of practice. All members were supportive of the introduction of a mandatory code of this kind. All attendees also agreed that extra help should be available for low income and vulnerable customers. We urge Ofgem to organise a workshop to develop the latter. The majority views from this workshop are outlined below.

Organisations present were: Consumer Focus, Fuel Poverty Advisory Group, Citizens Advice, National Energy Action, Age UK, Sustainability First. Email input was received from Energy Savings Trust, Green Alliance, National Housing Federation, Which?

Aims of the Code

We see the role of the code being to:

- Ensure the consumer experience of the home visit of smart metering is a positive one
- Ensure consistently high quality service for all customers regardless of when they get their display, their supplier or circumstances
- Help ensure the delivery of consumer benefits of smart metering where the competitive market does not provide enough of a driver
- This includes ensuring that all consumers have the information and support they need to reduce their energy consumption and the provision of extra help to low income and vulnerable consumers

The code:

- Should apply not just the installation visit but also change of tenancy when the customer has not had a smart meter before
- Will not be given to consumers, but it should be available to them on request or available on the supplier's website. Therefore it needs to be in consumer friendly language
- Should be mandatory, underpinned by a licence condition. The obligation must be on the suppliers to comply with the Code not just have one

- Should cover, pre, during and post the installation visit. Further consideration will need to be given as precisely when the Code starts to apply and ends
- Outlines minimum standards. We would expect suppliers in a competitive market to strive to improve on these proposals

Careful consideration is needed as to how the Code interplays with existing licence conditions. There will be some instances where updated licence conditions will be necessary rather than inclusion in the Code but we hope that this list will outline the key issues which we feel need to be addressed. We would expect the need for cross references to licence conditions to allow simplicity of reference. The areas below are initial suggestions for inclusion. See also Annex 2.

Benefit to consumers/area	Pre-installation	During installation	Post-installation
<p>Measuring success/customer satisfaction</p>	<p>Clear metrics should be agreed before rollout to measure success/failure eg displays installed, referrals to help schemes, advice given etc.</p> <p>Suppliers should have a dedicated hotline for enquiries. This should be a freephone number including free from mobiles. This is important as 14 per cent of households only have a mobile phone. These mobile-only customers tend to be disproportionately on low incomes⁴³.</p> <p>Calls to customer service help-lines are likely to increase, at least in the short-term.</p> <p>Dedicated complaint handling and redress systems with well trained staff should be put in place ahead of rollout. Inadequate complaint handling and customer service was identified by the Californian regulator as a key contributory factor to the public backlash against PG&E smart meters in this state in the US⁴⁴.</p>	<p>Monitoring and recording of energy consumption before smart meter is installed.</p> <p>All customers are left with a feedback card and email to relay experience to suppliers.</p> <p>All customers left with an independent standardised form to feed back experiences. This would need to enable some kind of breakdown by key factors eg demographics, payment type, dwelling type, to identify if particular groups of consumers were receiving materially worse service than others.</p>	<p>Follow-up calls to check customer satisfaction and offer further help with new technology.</p> <p>Dedicated call centre for enquiries. Freephone number including free from mobiles.</p> <p>Quick and efficient complaint handling and redress.</p> <p>Regular review and reporting of service and performance against agreed metrics eg take up of displays, potentially energy consumption. Independent research should be carried out by Ofgem including qualitative research (See 1 below).</p>

⁴³ <http://bit.ly/aE2W5v>, page 338

⁴⁴ *PG&E Advanced Metering Assessment Report* commissioned by the California Public Utilities Commission. Prepared by Structure. September 2010. <http://bit.ly/bRghiH>

<p>Convenience</p>	<p>Customer offered flexibility of installation day and time. They should be given a two hour installation window and weekend and evening visits at no extra cost. Not just am/pm. According the UK Cost of Waiting Survey, waiting in for the meter man results in loss of earnings, disproportionately impacting those on low incomes who are paid by the hour; results in days taken off sick – a cost to the economy, and inconvenience and annoyance for customers⁴⁵.</p> <p>Appointments should be arranged to allow carers, translators etc. to be available.</p> <p>Customer informed in advance so given option to prepare (get plugs ready, etc).</p> <p>Customer given clear information in advance; why the visit is needed and what it will entail.</p> <p>Vulnerability check carried out by supplier to identify if the customer is entitled to additional help. Redirected to a separate scheme.</p> <p>Suppliers, network operators, metering agents and other parties need to co-ordinate and plan their approach in certain areas/property types</p> <p>Also to address the issues around decommissioning of shared services eg for current prepayment meter services or teleswitch arrangements. (see 2 below).</p>	<p>On the day of the visit, the meter installer phones ahead to say when coming.</p> <p>Meter installer arrives on time.</p> <p>The installation process should be well organised, not intrusive and not intimidating.</p> <p>Supplier explains to the customer what the visit will entail and how long they are likely to be without supply.</p> <p>Time the customer is without energy supply kept to a minimum. To help achieve this rapid response teams should be available locally which suppliers can contact if they have problems. There needs to be co-ordination between suppliers, network operators and other parties to ensure quick resolution in case of problems eg relocating meter, unsafe wiring.</p> <p>Clear guidance is needed to ensure that suppliers take 'all reasonable steps' to install a meter. Also that there is a consistent approach across all suppliers as to what will happen if a meter cannot be installed.</p>	<p>Contact telephone, email and address available for further information and advice.</p> <p>Better choice of ways to top-up for prepay customers.</p> <p>Follow-up call to check they are happy and to see if there is anything they need help with.</p>
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⁴⁵ The UK Cost of Waiting Survey 2010. <http://bit.ly/aUcU30>

<p>Safety/Reliability</p>	<p>Installers/engineers should be CRB checked and appropriately qualified.</p> <p>Customers prompted to have an appointment via a reply card/letter. Able to call a freephone number (free from mobiles as well as landlines).</p> <p>Customers are told: the installation window; given a password to guarantee the validity of the installer and told how many installers to expect. Also if they have a certain type of uniform and that they will have ID. Vulnerable customers are allowed to use their existing password if they are on the Priority Services Register. This is to help ward against bogus installers or distraction burglaries.</p> <p>Common accreditation across all suppliers to give peace of mind to consumers.</p> <p>Vulnerability check carried out by supplier to identify if the customer needs additional assistance eg carer or translator present. If they are, they are redirected to a separate scheme.</p> <p>Staff are trained to respond to customer safety concerns. For example, hacking and remote disconnection, radiation from meters, data privacy. The rollout of meters in Fairfax and Watsonville in California is reportedly to be in part because of media reports that radiation from smart meter communications networks is 10 times stronger than that of mobile phone masts.⁴⁶</p>	<p>Robust safety checks carried out on meters and related technologies.</p> <p>Pressure to meet Government targets must not result in cutting corners on consumer protections.</p> <p>The meter must be located in a place that is 'safe and practical' for use as a PPM in case of remote switching to prepay. We urge Ofgem to take the opportunity presented by smart meter rollout to address many of the existing problems with meter installations.</p> <p>The location of the meter should be recorded and records kept in appropriate order. This is particularly important given the ability to remotely switch customers to prepay.</p> <p>Safeguards should be in place to ensure that vulnerable consumers are not left without supply.</p> <p>As mentioned we support the setting up of 'rapid response' teams who are available locally to help with issues.</p> <p>Customers should be given verbal and hardcopy advice about how to reconnect their supply in case of disconnection.</p>	<p>Reliability of technology is tested, particularly in areas or property types that have historically experienced problems.</p> <p>Suppliers report on barriers to installation and effective operation of smart metering technology.</p>
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⁴⁶ <http://bit.ly/btacqM>

	<p>Suppliers should work with local police, Trading Standards, Neighbourhood Watch, local authorities and local advice agencies ahead of installation in a certain area. This is to ensure that frontline services which may be contacted by consumers are well informed of ongoing activities and can give reassurance as appropriate. This was a key lesson learnt from the Digital Switchover campaign.</p> <p>Ahead of rollout suppliers, metering agents, network operators, communications experts and others must identify best practice to overcome smart related problems eg semi concealed meter cabinet is too small for a meter to be installed, or communications issues.</p> <p>Consideration should be given as to whether changes are needed to the Meter Operator Code of Practice Agreement (MOCOPA), Ofgem-Approved Meter Installer (OAMI) Codes of Practice and the Meter Asset Manager's Code of Practice (MAMCop)</p>	<p>A protocol is followed to establish if the customer is vulnerable. This information is recorded, where customers consent. They are referred to the appropriate help scheme.</p>	
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<p>Data access – protection and privacy</p>	<p>Suppliers comply with existing and new legislation and guidance for smart metering and data privacy.</p> <p>Suppliers adopt and implement Privacy Charter developed with consumer and privacy groups.</p> <p>Suppliers develop terms and conditions for data protection and privacy in consultation with consumer and privacy groups.</p> <p>Installation staff well trained on data protection and privacy issues to answer enquiries.</p> <p>See also Consumer Focus’s response to the data privacy and security consultation.</p>	<p>Customers <i>opt in</i> to sharing any data that is more than that required for the provision of energy only (or predefined regulatory, environmental or social purposes) when get a clear service in return. Onus is on the suppliers to sell the case for customers to share more data – emphasis on informed consent.</p> <p>Customer choice and information is key.</p> <p>When requested and easily available – reassurance and clear explanation of how data is used (avoid concerns about ‘spy in the home’) – information on how they can opt out of sharing in the future.</p>	<p>Where customers opt to share data they get clear benefits in terms of improved services or cheaper tariffs.</p> <p>The detail of customer feedback on consumption reflects at least the level of consumption data recorded for that consumer.</p> <p>Customer can easily find out what data is being stored, how it is being used, by whom and where, etc for free.</p> <p>They can easily change the amount of data they share.</p> <p>They can share data with accredited third parties if they so wish to easily and free of charge.</p> <p>Information on customer’s energy consumption is free and in a format that allows like for like comparisons with deals available on the market. Further work is needed in this area.</p>
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<p>Controls on sales and marketing</p>	<p>No sales or unwanted marketing. The group felt strongly that this risked undermining customer trust and engagement (see also 3).</p> <p>Consumers should be signposted to independent advice and comparison services – told they can shop around.</p>	<p>Staff must <u>not</u> be incentivised to sell services in their remuneration packages. Rewards should be based on take-up of displays, customer feedback, referrals to social schemes etc.</p> <p>While customers could receive information on products and services there should be no signing up to contracts during the visit – this includes consumers ringing external call centres to sign up over the phone. This would help to avoid instances where there is a ‘pressured sale’ during installation. Consumer Focus research in October 2009⁴⁷ found that 7 per cent of customers signed up to deals to get rid of the sales person. And that is when the customer is only on the doorstep, not across the threshold.</p> <p>No follow up sales within two weeks of the visit to allow customers to shop around. Lessons should be learnt from the financial services sector in this regard.</p> <p>No data collected for sales and marketing purposes without the customer’s knowledge or consent.</p>	<p>No marketing messages sent through the displays without prior consent.</p> <p>It may be appropriate for customers to opt into receiving other types of messages such as service updates. Consumer Focus is conducting research on customer interest in messages via IHDs in January 2011.</p>
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⁴⁷ Omnibus research carried out by ICM research on behalf of Consumer Focus. ICM interviewed a random sample of 1,008 adults aged 18+ by telephone between 7 and 8 October 2009.

<p>Cost</p>	<p>No new tariffs offered unless it is a social tariff or lowest cost tariff for a low income householder as part of an enhanced service. And this is offered with a lowest price guarantee.</p>	<p>No charge for the installation.</p> <p>No charge for moving the meter especially if that is because it is a smart meter.</p> <p>No new tariffs offered, especially not TOU tariffs. The exception being for lowest cost tariffs for low income households as part of an extra help scheme. Ofgem/DECC should follow the example of places like Ontario where TOU tariffs are not introduced until several months after installation. A full year would enable the customer to have consumption data across all seasons.</p> <p>No switching from credit to prepay at point of installation.</p>	<p>No increase to the customer's tariff as a result of installation or follow up service.</p> <p>Don't introduce new tariffs around the installation time – the risk is that any bill increases will be blamed on new meters.</p>
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<p>Effective communications</p>	<p>Suppliers follow communications practices or co-ordination as outlined by the code of practice for marketing and the campaign body responsible for engagement. See Question 4.</p> <p>All communications tested in consumer focus groups/crystal marked for clarity and usability.</p> <p>Model Customer Charter adopted and made available to the consumer.</p> <p>Quick use guide for display developed.</p> <p>Information readily available on website.</p> <p>Informed and working with local agencies in areas where rolling out including CAB, police, local councils, advice agencies.</p> <p>Briefings and key information provided to advice agencies and local partners – regularly updated.</p> <p>Local and national communications activity – core messages agreed with all suppliers.</p> <p>Suppliers adopt a social marketing approach to communications – segmenting their customer base and tailoring information accordingly to maximise the benefits to all consumers.</p> <p>Some standardisation of communications across suppliers eg energy and water efficiency advice.</p> <p>See also Consumer Focus response to Questions 4 & 5.</p>	<p>All communications tested in consumer focus groups/crystal marked for clarity.</p> <p>Customer left with hard copy information on a) display b) meter c) energy and water efficiency including signposting to independent advice d) contact details e) signposting to extra help including local agencies.</p> <p>Customer is signposted to other sources of information eg is given a fridge magnet with key numbers.</p>	<p>Free dedicated hotline – free from mobiles as well as landline.</p> <p>Up to date information on website.</p> <p>Variety of ways to contact supplier – commitment to respond within a given time frame.</p>
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<p>Hygiene factors/feel good factors</p>	<p>Installers trained to be considerate and non invasive.</p>	<p>Leave house at least as clean as when arrived.</p> <p>Reset clocks that left flashing after disconnection of supply.</p> <p>Polite and no swearing.</p>	
<p>Advice and information – realising the environmental benefits/identifying vulnerable consumers – more work is needed on this</p>	<p>Suppliers follow communications practices outlined by the code of practice for marketing and the campaign body responsible for engagement.</p> <p>Consumer understands the process before the installation visit.</p> <p>Supplier develops partnerships with local authorities and bodies, including with community groups, health workers, local energy efficiency initiatives.</p> <p>Information available on the website throughout.</p> <p>Installers fully accredited and trained to give advice on displays, smart meters, basic energy efficiency, and adequate heating temperatures.</p> <p>Installers trained to identify and deal sensitively with vulnerable customers.</p>	<p>Free energy efficiency audit is conducted, where accepted, prior to installation and customers who have opted in are given information about products and services.</p> <p>Consumer Focus research (March 2010) found that 60 per cent of customers would be interested in having an energy efficiency assessment if it was at no additional cost during installation.</p> <p>Advisers must distinguish clearly between independent advice and partial sales based suggestions.</p> <p>A printed leaflet must be left with the consumer giving advice on a) using meter b) energy display c) energy efficiency and water efficiency tips should be left behind d) signposting for customers in need (same energy efficiency advice provided by all suppliers).</p> <p>This information should contain some standardised messages across all suppliers.</p>	<p>Dedicated phone line and email contact.</p> <p>Consumer knowing where they can contact if they have a problem or further questions.</p> <p>Consumption information and bills offered via a variety of media.</p> <p>Continue to offer free hard copy bills alongside displays.</p> <p>Follow up call to check happy.</p>

		<p>Clear and understandable information – crystal mark for plain English.</p> <p>Clear free contact information – email, phone, letter.</p> <p>Customers are given information about reconnection of supply in case of disconnection. This is also included in hardcopy information.</p> <p>Signposted to free independent advice on energy efficiency and low carbon technologies. There should be a list of approved bodies to prevent customers from being signposted to a preferred company which might result in a hard sell.</p> <p>If appropriate customer made aware of the priority services register for any household member – for energy and water.</p> <p>Referrals to advisors and assistance schemes for those who are vulnerable or in need of additional help.</p> <p>Provision of additional services as agreed as part of the local partnership.</p> <p>Consider free thermostats provided and installed and other measures.</p>	
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<p>Displays</p>	<p>Further consideration is needed around how and what choice customers are offered in terms of displays.</p> <p>Perhaps, customer sent hardcopy information about displays in advance.</p> <p>Given a display which is easy to use at no up front cost – this must meet minimum standards set by Ofgem/DECC.</p> <p>All displays accredited as meeting agreed standards – suppliers strive to go beyond the minimum. This includes inclusivity by design principles.</p> <p>Installers trained to use and explain displays, including new technology before it is rolled out to customers.</p> <p>Installers well trained to answer questions about compatibility of existing displays with new meters and other technology in the home.</p>	<p>All customers are offered a display that meets high quality minimum standards and are based on inclusivity by design. This has no direct cost for the customer unless they choose to ‘upgrade’.</p> <p>Consumer Focus research (March 2010) suggests that 79 per cent of customers of people are interested in having a display that gives them information in pounds and pence on how much energy they use and information about carbon savings.</p> <p>Customer given a choice of display to ensure ease of accessing information eg size of buttons, colour, size. Displays available for those with sight problems, hard of hearing or dexterity problems.</p> <p>Customer is mains powered display which has a portable option.</p> <p>Customer given choice of positioning.</p> <p>Display is set up and left on and operational.</p> <p>Customer is taken through how to use the display.</p> <p>Display is demonstrated eg turning kettle on and off. Other behavioural changes are also suggested along with indication of potential savings from them. These need to be consistent across all suppliers.</p>	<p>Freephone hotline for customer to call/or email to use if they have any problems with their display or any questions.</p> <p>All displays automatically update tariff information without the customer having to reconfigure them – this is essential.</p> <p>The following customers provided with a free new display on request:</p> <ul style="list-style-type: none"> • Those who did not take one originally • To replace faulty display • New prepay customers who don't have one <p>Review effectiveness of display. Follow up call – are consumers still using energy display 1/2/3 months later.</p>
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		<p>The potential benefits of proper use of display are explained with indication of the possible savings – again information needs to be consistent across all suppliers.</p> <p>Proper advice around any traffic lights on energy display is given. The importance of maintaining and adequate heating regime must be emphasised.</p> <p>Quick use guide for display left with customer.</p> <p>Full smart metering guide left with customer.</p> <p>Where a customer refuses a display or objects to installation alternative feedback options eg web, TV, phone should be explained as well as the right to change their mind later.</p>	Develop remote control services.
Low income and vulnerable consumers	<p>All installers trained to deal sensitively and appropriately with the needs of vulnerable consumers.</p> <p>The development of an enhanced service for low income consumers as well as a dedicated help scheme for vulnerable consumers.</p> <p>Identification of low income and vulnerable consumers via referrals from GPs (AWARM), DWP data sharing and priority services register.</p> <p>Development of central co-ordinating body to oversee help for low income consumers including building partnerships in communities, linking up</p>	<p>The implementation of priority installation service – separate paper on this.</p> <p>Likely to include:</p> <ul style="list-style-type: none"> • Benefits entitlement checks • Energy efficiency audit • Referrals (not signposting) to Warm Front or other grant aided schemes available • Energy efficiency and water efficiency advice • Free installation of basic measures eg 	<p>More work is needed on developing this.</p> <p>There should be a dedicated helpline for vulnerable consumers with properly and sensitively trained staff to deal with any issues arising. Somewhere they can call to seek advice on how to use it.</p>

	<p>with local programmes, recruiting volunteers, joint branding to ensure trust.</p> <p>Incentive schemes via supplier obligation, CESP and other. Include money available for replacement boilers and appliances.</p> <p>Steps taken to give reassurance about the visit – not giving opportunities to rogue traders/ distraction burglaries.</p>	<p>thermostats, radiator reflectors, draft excluders</p> <ul style="list-style-type: none"> • Lowest cost tariff advice with a minimum price guarantee that assures them they won't end up paying more than they do now • Referrals to other advice agencies for help with fuel bills/energy efficiency/debt management, etc • Sign up to PRS if not already on it • Check payment type is appropriate eg not on PPM when can't reach the meter • Consideration should be given to the project Groundwork is doing with Southern Water to help provide additional help to low income and vulnerable consumers • Good handling by installer of situation where appliances are old or faulty and need to be cut off 	
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Further views from Consumer Focus

The thoughts outlined below are from Consumer Focus. We have not had the opportunity to share these with the consumer groups present at the workshop but intend to as ideas around the Code develop to see if there is a consensus.

1 Monitoring customers' experiences

Consumer Focus supports the DECC/Ofgem proposals to monitor customers' experiences including a post-installation survey which is carried out at least annually. Qualitative research is also needed to explore consumer experiences in more depth. Lessons must be learnt from any poor experiences and best practice shared. Research needs to happen as soon as possible and not wait until meters are mandated – the word of mouth experiences of customers getting smart meters now will have a big impact on customer engagement later in the programme. **Results from research should be published in a supplier league table format to provide a strong incentive for companies to improve their performance.** The consumer engagement body should also shine a spotlight on good practice and high levels of customer satisfaction to encourage wider consumer engagement.

2 Overcoming installation issues and increasing customer service

Pre-installation: We welcome Ofgem's proposals to ensure technical co-operation between suppliers and networks. As mentioned, it is particularly important to co-ordinate the implementation and decommissioning of shared services eg for current PPM services or teleswitch arrangements. Suppliers, network operators, metering agents and other parties need to co-ordinate and plan their approach in certain areas/property types. For example installing in blocks of flats can be technically difficult if meters are underground, away from a customer's home making access to WAN and HAN signals difficult. In such instances the best approach may be a common one across all suppliers. This could mean installing communications enhancement equipment to help improve signal of technology. Such approaches would result in a higher quality customer experience such as more reliable communications networks and shorter installation times.

3 Sales and marketing – see also Consumer Focus's response to Consumer Protections consultation

Smart metering is seen as an integral part of Green Deal. In theory, suppliers visiting consumers homes to install meters provides an ideal opportunity to provide people with energy efficiency products and services that could help them reduce their energy consumption. Consumer Focus has a great deal of sympathy with this idea where customers have given their explicit permission ahead of the home visit.

Unfortunately industry does not have a good track record on doorstep sales. The 2008 Ofgem Probe into the energy retail market found that nearly half of all consumers switch to a worse deal as a result of doorstep selling. Consumer Focus's May 2009 survey on supplier sales practices found that 34 per cent of consumers described their experience of doorstep sales as 'intimidating' in a free text box, and 68 per cent ranked their customer experience as the lowest score. Despite the introduction of new licence conditions following the Probe, the situation is not improving. Ofgem is currently investigating four of the big six energy companies for potential breaches of supply licence conditions. There is also an issue that the existing rules only apply to the supply of energy. They do not cover energy efficiency products or other services. Consumer Focus is seeing increasing complaints around 'green claims' to help lines. It is also often unclear to consumers where to go for help when the duties are split between regulators.

We think that suppliers should not be allowed to sell products and services during the installation visit. If they are allowed, this could risk undermining consumer trust and acceptance of smart meter installation.

Resolution of problems/billing and metering problems

Pre-installation	During installation	Post installation
<p>Suppliers should maintain up to date lists of accounts that may be of potential concern so that the installer is aware that there may be issues with the account. Special care and attention can be paid during the installation visit to carefully record any relevant information.</p> <p>There are already significant problems with the quality of information on metering databases. Exchanging every meter is likely to unearth both 'business as usual' problems and potentially new smart related issues.</p>	<p>Validation that the correct meter has been installed in the correct property.</p> <p>Rollout process is likely to uncover a range of issues where some consumers have not been billed correctly.</p> <p>Installers should take down as much detail as possible to enable the account to be properly investigated by the supplier.</p>	<p>Where evidence of poor or incorrect billing emerges, a proper investigation and account reconciliation process should be carried out as soon as possible.</p> <p>Consumer Focus believes that existing rules around billing and back billing are not robust enough.⁴⁸</p>

Consumer Focus has separately written to Ofgem asking the regulator to produce and publish a definitive set of guidance on where the back billing rules should be applied. Industry has failed to produce a definitive set of guidance four years on from the rules coming into effect.

The voluntary Code of Practice is not working. Eleven suppliers are not signatories including one of the big six suppliers. Even among those that sign up there is often an inconsistent approach to applying the rules.

⁶ See Consumer Focus' response to Smart Metering Implementation Programme: Consumer Protections

This lack of consistency makes it hard for consumer groups to communicate customer rights. It is also difficult and frustrating for customers to get a resolution to problems under the current scheme. Smart metering looks set to exacerbate problems as identified problems with under-recording meters are likely to increase – our sister organisation Consumer Direct is already reporting problems. Also, despite having a smart meter installed, some customers are reporting that they are still receiving estimated bills. We are therefore calling on Ofgem to oblige suppliers to:

- Abide by rules on back billing including our proposed new guidance to be published by Ofgem. This should include that the customer cannot be back-billed for more than a year where it is the suppliers' fault
- Where a customer has overpaid on their energy they should get a prompt refund
- Provide accurate bills where a smart meter is installed
- Customers should continue to get free hard copy bills. This is important as a third of consumers either do not use or have access to the internet and often these customers are disproportionately on low incomes
- Special consideration should be given to low income and vulnerable consumers around back billing including affordable repayments and debt write-off

Experience in California and Texas where 'bill shock' led to moratoriums on the rollout of smart meters and legal action against the energy company shows the importance of addressing this. A key commitment of the smart metering programme is also to end estimate and inaccurate bills. If this fails to be delivered it will undermine customer trust

4 Energy theft

	Pre-installation	During installation	Post installation
Energy theft	Suppliers should maintain up to date lists of accounts that may be of potential concern so that the installer is aware that there may be issues with the account. Special care and attention can be paid during the installation visit to carefully record any relevant information.	<p>Rollout process is likely to uncover cases of energy theft and the associated safety concerns.</p> <p>In certain cases, there will be vulnerable consumers and/or children living in these households.</p> <p>The installer should inform the supplier's revenue protection division of any alleged meter tampering. The installer should take photographs of the meter and the associated evidence.</p>	<p>If there is evidence of energy theft, suppliers should follow their existing revenue protection guidelines.</p> <p>If it is a first offense, a consumer should only be left off supply if there is a serious safety issue.</p> <p>Suppliers must provide proof, beyond reasonable doubt, that the current resident was responsible for the tampering. There should be a reference in the installation code of practice to the existing industry process.</p>



Smart metering implementation programme: Rollout strategy

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