



Action for Warm Homes

CONSULTATION RESPONSE

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BEIS Smart Metering Implementation Programme: Consultation on future coordinated consumer engagement

About National Energy Action (NEA) and our work to support the smart meter rollout

NEA¹ works across England, Wales and Northern Ireland to ensure that everyone in the UK² can afford to live in a warm, dry home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

NEA has a long-standing interest in smart meters and their roll-out in Great Britain and Northern Ireland, particularly with regard to their impact on vulnerable consumers. NEA believes that smart metering has the potential to provide real benefits for vulnerable and low-income householders, but only if these individuals are effectively engaged and supported throughout their smart meter journey. We have carried out the following research to inform the smart metering programme:

2013: [Smart for All: Understanding Consumer Vulnerability During the Experience of Smart Meter Installation: NEA for DECC and Consumer Focus.](#)

This report for UK Government was one of the first to look at consumer vulnerability during the experience of smart meter installation and provide recommendations on how to optimise the vulnerable customer smart meter journey. Following phase one, NEA was commissioned to examine more closely the support needs of vulnerable and low-income consumers that specifically relate to enabling and sustaining engagement with smart meters and in-home displays to maximise potential benefits. Fieldwork for the second phase of research took place during March 2013 and involved thirty-three participants from across the North East of England, Merseyside, East Midlands and London. The research adopted a qualitative approach and involved twenty-five in-depth interviews, predominantly by telephone and two focus groups.³

2014: [Developing an Extra Help Scheme for Vulnerable Smart Meters Customers](#)⁴: NEA for Citizens Advice.

This research looked at how suppliers and other stakeholders can help vulnerable consumers through the smart meter change. The rich detail of this research aimed to help delivery partners shape their plans; answering questions such as how to define vulnerability, the importance of choice, and the role of different communication channels.

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2015 – 2018: [SMART-UP](#)⁵

This was an EU- funded project running across five countries. NEAs study sought to understand the impact tailored energy advice can have on the active use of a smart meter and in-home display (IHD) to manage energy consumption in vulnerable households.

Our research demonstrated that smart meters can benefit vulnerable and low-income households – but in most cases this requires additional support and advice. The study found that providing advice and support was successful in enabling vulnerable households to engage and understand their smart meter and in-home display, and with increasing the range of purposes for which people used them, as well as the frequencies with which tasks were carried out. Following the interventions householders were much more likely to use their smart meters and accompanying smart energy displays to undertake activities such as checking how much electricity they were using and setting budgets, and there were increases in the percentage of householders who were also making changes to how they used energy at home.

As well as our policy and research work, NEA has been involved in supporting the practical delivery of the programme:

2015 – 2018: [Energywise](#)⁶

NEA was a partner on the UK Power Networks-led project energywise; exploring how fuel poor customers can benefit from a smart meter and participate in energy saving and demand side response opportunities. The project successfully installed 230 credit smart meters and 93 prepayment smart meters in the homes of 323 social housing tenants living in the deprived borough of Tower Hamlets in East London. In targeting this group, the project generated valuable learnings on how to engage and support energy consumers identified by previous research as vulnerable to realising benefits from their smart meter and in-home display. Specifically: low income households, social housing tenants, prepayment meter consumers and those who do not speak English proficiently.

2016 – ongoing: [Smart Energy GB in Communities](#)

NEA, alongside our sister fuel poverty charity, Energy Action Scotland, leads part of Smart Energy GB's partnerships programme working at local and regional level with trusted intermediaries to engage people who might otherwise experience a barrier to engaging with the smart meter rollout. Activities include smart meter training to upskill advisors, grant funding for projects and free resources to support engagement activities. NEA's smart meter training aims to ensure advisors are confident and equipped to answer their client's queries about smart meters. Since the 'In Communities' programme commenced, NEA has developed and delivered smart meter training to 1,751 frontline professionals/volunteers who in turn have gone on to support thousands of vulnerable householders across Great Britain. Also, since 2016, a total of 300 large and small grants have been awarded to trusted partners, stimulating smart meter activities at a local and regional level, as well as demonstrating the positive and meaningful impact of direct, face-to-face engagement with vulnerable consumers.

NEA also continues to participate in the [Consumer Reference Group](#) (CRG); a forum set up by the Department of Business, Energy and Industrial Strategy (BEIS) under the Smart Metering Implementation Programme to provide advice and, where appropriate, solutions to mitigate consumer journey challenges arising from consumer experiences in the smart meter roll-out.

Summary of our views on the progress of the rollout to date

In response to the NAO's report⁷ in 2018 on smart meters we highlighted our concern that the smart meter roll-out was significantly back-loaded. These delays have been further compounded by technical issues establishing the DCC network and most recently the impact on the programme Covid-19. These delays mean most households now have less opportunity to enjoy the benefits of smart (and any resulting financial savings) in the years up to 2025. The delay to mass deployment undermines the realisation of the benefits of the programme which still assumes cumulative benefits accruing year on year.

Since its inception in September 2013, NEA has welcomed and sought to strengthen the centralised consumer engagement that has been driven by Smart Energy GB. This has helped ensure a variety of communications channels are now being used to provide a consistent and engaging message of the benefits of smart. Whilst NEA continues to work closely with Smart Energy GB, via the Smart Energy GB in Communities Programme to enable, encourage and support community groups to spread the word about smart, the large delay between consumers being engaged by Smart Energy GB's mass marketing (or through our joint work via the SEGB in Communities programme) and when customers can expect to receive a smart meter, is causing disengagement from the initiative and this can reduce access rates which could increase the cost of the programme.

In our response to the 2019 consultation "Delivering a Smart System: Consultation on a Smart Meter Policy Framework post 2020", we were sympathetic to the reasoning of extending the smart meter deadline to 2025. The proposed extension will help to guard against suppliers rushing to install meters in homes without the engagement that is dearly needed to ensure that vulnerable consumers can get the maximum benefit. However, we believe that the following principles must now be introduced to structure future engagement through the programme:

The need for bespoke support to realise the benefits of smart continues

As noted above, the extent of back-loading is a particular concern for low income and vulnerable households who, from our experience and evidence need additional levels of support to:

- Benefit equally from the programme
- Engage with marketing messages
- Understand how their new meter and In-Home Display (IHD) work
- Understand and adopt energy saving behaviours and measures; and
- Fully understand the opportunities (and any risks) for allowing a supplier to access their half hourly usage data.

Each of these areas requires a deliberate focus by individual suppliers and SEGB's awareness raising activities. BEIS must also act to ensure low income capture these benefits and are prioritised in the next phase of the rollout. This issue is particularly acute for prepayment meter (PPM) customers. NEA had hoped that by now the benefits of smart 'pay as you go' would be a major success of the rollout and due to the reduced cost to serve these customers, suppliers would be now coming forward with cheaper tariffs for PPM customers. This outcome has however not materialised. As of September 2019, only 7,000 SMETS 2 meters were in prepayment mode⁸, and as of the end of December 2019, there were still more than 4.8m legacy prepayment meters yet to be upgraded to smart meters, or operating in traditional mode⁹.

PPM customers have potentially the most to gain from the installation of a smart meter. Through smart prepay tariffs, customers will have the ability to top-up online, meaning that there is less chance of long periods of self-disconnection occurring due to forgetfulness (perhaps due to a medical condition), or where mobility issues mean that the customer finds it difficult to get to a place where they can top up, or even to access the meter in their own home. These clear benefits have been demonstrated through the pandemic where positive

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outcomes for smart PPM customers have been in strong contrast to those who still need to rely on legacy PPMs who have continued to have to travel to a decreasing number of locations to buy top-up cards because they don't have a pre-pay smart meter. In addition, customers without smart prepay have also struggled to access support provided by varying levels of 'friendly credit' or "emergency credit" which enables prepay customers to continue to access energy when they run out of credit. This variance can have a big impact on customers at the best of times but in a crisis, access to emergency credit can be the difference between someone with existing respiratory illness (let alone Covid 19) keeping their home warm before a relative can go to the shops and top up on their behalf, sitting in the dark until the morning or being unable to charge up a mobile phone to call a relative in need.

Smart PPM can also help identify customers most at risk of self-disconnection. Citizens Advice have found that more than 100,000 prepayment customers self-disconnect each year¹⁰ due to affordability issues, leading to dangerously cold homes. Suppliers are better able to monitor prepayment meter usage through smart meter data and then support those customers. Additionally, in their investigation into the energy market, the CMA identified a significant detriment in the market for prepayment customers¹¹, which they believed could be resolved through the smart meter rollout, presenting the prepayment price cap as an interim measure. In order to avoid the detriment arising again, it is key that the rollout for prepayment customers is prioritised, and that the prepayment price cap is extended to such a date when this has been achieved.

NEA has therefore, stressed that to realise the huge benefits for PPM customers of smart PPM will require a discrete and deliberate focus, which is currently not evident. NEA is therefore pushing for the Government to ensure that any new annual targets for smart meter installation by suppliers must include a sub-target to replace legacy PPM meters. This could be set as a de minimis target for replacing legacy PPMs (for example, no less than 15% of total installs have to be replacing legacy PPM) reflecting the national average of this payment type or a % based on the suppliers own customer base (from a baseline of 2019/20 or when the targets are in place).

Addressing a lack of publicly available information about suppliers' rollout plans

We are pleased that within this consultation, there is a recognition that it would be useful for Smart Energy GB to design "targeted geographical approaches and supporting closer alignment of activities led by Smart Energy GB and those delivered by energy suppliers". We support this position and would like to see further details on what this would mean in practice. In addition, whilst Ofgem have an excellent understanding of the rollout plans for the larger energy companies, currently believe smaller suppliers are often not required to provide this information. Furthermore, energy customers (who are paying for the rollout) do not have sufficient detail of their own energy suppliers plans and neither do other parties who could support the rollout and offer bespoke advice. As a result, NEA is pushing for the Government and regulator to ensure that these plans for a Government mandated infrastructure scheme, funded through bills, are published in the public domain for scrutiny. This means that consumers will know when they should be able to get a smart meter from their supplier depending on their meter types and more generally how vulnerable customers are able to access the benefits of smart, irrespective of the additional barriers they may face (see below).

Tailored support for vulnerable consumers

Whilst the development of an accessible in-home display (AIHD) has been welcomed by NEA, a concern remains that deployment of this technology is yet to be mainstream or consistent. Consumers with dexterity or visual issues would significantly benefit from the enhanced functionality provided by the AIHD and a clear protocol needs to be established on when consumers will be able to access these devices and how suppliers plan to make them available to new as well as existing smart meter users.

Our response to this consultation

Question 1.1 - Do you agree that objective (a) should include a specific requirement for Smart Energy GB to deliver activities that generate demand and acceptance for smart metering? Please provide rationale

Yes, we believe that broadening objective (a) to include more than just delivering consumer confidence is sensible in order to deliver the smart rollout. It is important for Smart Energy GB to work on ensuring that everyone can benefit from the smart rollout, and this cannot happen if households do not understand the benefit of smart meters, have the tools to unlock these benefits, and are guided through the process of asking for a smart meter. Some households will need specific help with the process of application, in particular due to the lack of availability of smart meters in certain areas due to technical difficulties (such as the recent difficulties experienced with connecting to the DCC in the north of England¹²) or rollout strategies.

Question 1.2 - Do you agree that Smart Energy GB should no longer be required to actively build domestic consumer awareness and understanding of smart metering at a national scale? Please provide rationale.

Yes, NEA agrees with this proposal, on the condition that objected (d) is amended as proposed in this consultation. It would be an unacceptable outcome if the result of changes to the Smart Energy GB objectives resulted in less activity in supporting the smart meter rollout for households in vulnerable situations, so it is imperative that this activity is continued and amplified. The result of this new activity should be a more targeted, focussed effort to deliver the rollout to the households that stand most to gain from it. In particular, low-income, vulnerable households and those with legacy prepayment meters.

Question 1.3 - Do you agree that objective (b) should be amended to require Smart Energy GB to continue to build awareness and understanding of smart meters amongst microbusiness consumers, including the benefits of the data derived through them? Please provide rationale.

Whilst we are not against the addition of Microbusinesses into the Smart Energy GB remit, this must not come at the cost of work to help vulnerable households. Any work done to engage microbusinesses on the smart rollout must be additional to the domestic rollout, not a substitute.

Question 1.4 - Do you agree that objective (c) should be amended to widen Smart Energy GB's behaviour change activities beyond a central focus on energy consumption reduction? Please provide rationale.

Yes, NEA agrees that objective (c) should not solely be based around the reduction of energy consumption, but broader positive behaviour changes regarding energy use. This is a key part of the cost benefit analysis that makes the case for the smart meter rollout and so cannot be ignored. There are further two reasons for this.

Firstly, a reduction in energy consumption is not a positive result for many households. A special feature published by BEIS in 2019¹³ showed that "The gap between theoretical and actual energy consumption is negatively correlated with income, with households in the highest income decile using on average £27 more than the theoretical consumption, and those in the lowest income decile using on average £189 less". In other words, energy use statistics show that poorer households tend to use less than the amount of energy required to meet their needs. They are therefore more likely to self-ration than higher income households. The article showed that this impact is felt even more acutely for households with prepayment energy meters. Such a trend must be reflected in energy policy, and we welcome that intent to do so here.

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Secondly, as we move into a smart, flexible, energy future, there will be opportunities to save money by increasing demand, when it makes a positive contribution to the operation of either local or national energy systems. All households should be able to participate in such markets, and smart meters are a key enabler to do so. Smart Energy GB therefore have a role to play in increasing household understanding of this issue so that they can make better decisions on whether or not to participate.

Question 1.5 - Do you agree that objective (d) should include a requirement for Smart Energy GB to continue building awareness amongst consumers who may experience barriers to obtaining and realising the benefits of smart metering? Please provide rationale.

NEA Agrees that (d) should include a requirement for Smart Energy GB to “continue building awareness amongst consumers who may experience barriers to obtaining and realising the benefits of smart metering”. However, we think that there should be a refinement of the wording to ensure that Smart Energy GB do not end up putting significant effort into targeting affluent households. We therefore propose to change the wording to “continue building awareness amongst vulnerable energy consumers who may experience barriers to obtaining and realising the benefits of smart metering”

Without a greater focus on engaging the hardest to reach customers, that group will be the last to receive a smart meter, and may not receive a smart meter at all if the proposed 85% take up target is deemed ‘close enough’ to a full rollout. This would not be acceptable, as it will result in fuel poor households having paid disproportionately more than other households (compared to their income), without seeing the benefit. Many charities have expertise in reaching such customers and so we believe that this will require closer relationships between suppliers, Smart Energy GB and the third sector.

It is important that there is not just a focus on providing support for more vulnerable and harder to reach groups, but that this support is tailored. For example, whilst the development of an accessible in-home display (AIHD) has been welcomed by NEA, a concern remains that deployment of this technology is yet to be mainstream or consistent. Consumers with dexterity or visual issues would significantly benefit from the enhanced functionality provided by the AIHD and a clear protocol needs to be established on when consumers will be able to access these devices and how suppliers plan to make them available to new as well as existing smart meter users. Suppliers must also ensure that advice is suitable for the household, for example by making alternative formats and languages, and checking understanding. Without this, a significant proportion of households will not adequately receive the advice they are entitled to as part of the rollout.

Question 1.6 - Do you agree that Smart Energy GB has a role to play in supporting coordinated activities and that a new objective should be introduced in energy supply licences to establish appropriate arrangements to facilitate this activity? Please provide rationale

We are pleased that within this consultation, there is a recognition that it would be useful for Smart Energy GB to design “targeted geographical approaches and supporting closer alignment of activities led by Smart Energy GB and those delivered by energy suppliers”. We support this position and would like to see further details on what this would mean in practice. In addition, whilst Ofgem have an excellent understanding of the rollout plans for the larger energy companies, currently believe smaller suppliers are often not required to provide this information. In addition, energy customers (who are paying for the rollout) do not have sufficient detail of their own energy suppliers plans and neither do other parties who could support the rollout and offer bespoke advice. As a result, NEA is pushing for the Government and regulator to ensure that these plans for a Government mandated infrastructure scheme, funded through bills, are published in the public domain for scrutiny.

This means that consumers will know when they should be able to get a smart meter from their supplier depending on their meter types and more generally how vulnerable customers are able to access the benefits of smart, irrespective of the additional barriers they may face.

Additionally, greater visibility of the rollout plans would allow local and national organisations to give more bespoke advice to customers about when they should be able to get a smart meter from their supplier. This is a particularly urgent priority for suppliers plans to rollout smart PPM. In addition, sharing of regional data, for example the regions that suppliers are targeting, would be useful so that other organisations can better focus their engagement efforts/

We have previously argued that all obligated suppliers should need to publish a summary of their plans surrounding the rollout into the public domain, in order to allow proper scrutiny of their part of a Government mandated, and customer funded, infrastructure project.

In order to maximise the effectiveness of such activity, Smart Energy GB learn from existing projects where this is already happening. For example, lessons must be learnt from the Local Consumer Engagement Pilot which is currently running in order to ensure that a broader engagement with suppliers on their rollout plans is fruitful. Without this continual learning process, there is a risk that little progress will be made and a desire for Smart Energy GB to design “targeted geographical approaches and supporting closer alignment of activities led by Smart Energy GB and those delivered by energy suppliers” will be difficult to make a success.

A further recommendation is for BEIS and Ofgem to ensure that suppliers work with Smart Energy GB to focus their rollouts in the areas that have the most need (e.g. where there are high densities of legacy prepay customers), instead of where there are more general smart meter blackspots. This would help to deliver a scheme where more benefit can be achieved earlier, helping to deliver a higher return on investment for this use of public money.

Question 3.1 - Do you agree that energy supply licences should be amended so that the threshold for ‘Relevant Suppliers’ to fund Smart Energy GB’s domestic campaign activities is lowered to energy suppliers with 150,000 gas or electric (or both) domestic consumers? Please provide rationale.

NEA welcomes the intent for all suppliers with 150,000 gas or electric domestic customers. This follows similar changes in the rollout of smart meters, the development of the energy company obligation and the trajectory of the Warm Home Discount, and will in effect ensure that 99%¹⁴ of domestic customers are with a supplier that contributes towards smart energy GB, removing further market distortions.

Question 4.1 - Do you agree with the proposed approach to transitioning to the new arrangements proposed in this consultation? Please provide rationale.

Question 4.2 - Do you agree that the proposed legal drafting in Annexes One and Two implements the proposals outlined in this consultation? Please provide rationale

NEA agrees with the proposed approach to transition and the legal drafting.

Endnotes

- 1 For more information visit: www.nea.org.uk
- 2 NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.
- 3 This second phase of research is presented here: <https://www.nea.org.uk/wp-content/uploads/2015/07/march-NEA-Smart-for-All-2-FullReport-FINAL.pdf>
- 4 See the full report here: https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/smart-meter-extra-help-scheme-full-report-final1.pdf
- 5 See the final report here: <http://www.nea.org.uk/wp-content/uploads/2018/08/SMART-UP-UK-FINAL-REPORT2.pdf>
- 6 For more information please see <https://www.nea.org.uk/research/energywise/>
- 7 For the full report please see <https://www.nao.org.uk/report/rolling-out-smart-meters/>
- 8 <https://www.parliament.uk/documents/commons-committees/business-energy-and-industrial-strategy/Correspondence/2019-20/Letter-from-Lord-Duncan-on-smart-meters.pdf>
- 9 This number has been calculated using both publicly available data from the BEIS Smart Meter quarterly report showing the number of smart and traditional meters in operation, and correspondence with BEIS that identifies that 19% of smart meters are in prepay mode compared to 15% of all meters. For the official BEIS data, which shows that there were 15.2m domestic smart meters installed from a total of 51.8m meters, please see https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/872155/2019_Q4_Smart_Meters_Statistics_Report.pdf
- 10 The Citizens Advice report "Improving support for prepay customers self-disconnecting" found that "Around 140,000 households could not afford to top-up their PPM in the last 12 months". For the full report see <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/improving-support-for-prepay-customers-self-disconnecting/>
- 11 The CMA Energy market investigation found that "The detriment suffered by the prepayment customers of the Six Large Energy Firms equated to 12% of a typical bill, substantially more than customers paying by direct debit (8%) and standard credit (7%)." For the overview, please see: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/531204/overview-modernising-the-energy-market.pdf
- 12 As noted by Audrey Gallacher, Director of Policy at Energy UK, whilst giving evidence to the BEIS Select Committee on 9th January 2019 "*We still have issues with rolling out SMETS2 meters across the whole of the northern network, so there is a big challenge on that transition, which goes back to the point about whether you want to incur additional costs by replacing meters in stranded assets.*"
- 13 For the full special article "*Comparison of theoretical energy consumption with actual usage*" see https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/789775/Comparison_of_theoretical_energy_consumption_with_actual_usage.pdf
- 14 According to the BEIS Final Stage Impact Assessment for ECO 3 "a further reduction in the threshold to 150,000 customers would obligate up to 27 energy suppliers (11 more than with a 250,000 customer threshold), increasing the market coverage of energy suppliers obligated to around 99%". To view the document please see https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749638/ECO_3_Final_Stage_IA_Final.pdf