

# National Energy Action (NEA) response to Statutory consultation on the post-2020 smart meter rollout supplier reporting requirements



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

Action for Warm Homes

NEA<sup>1</sup> works across England, Wales and Northern Ireland to ensure that everyone in the UK<sup>2</sup> 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 depth interviews, predominantly by telephone and two focus groups.<sup>3</sup>

**2014:** Developing an Extra Help Scheme for Vulnerable Smart Meters Customers<sup>4</sup>: 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 helps delivery partners shape their plans, answering such questions such as how to define vulnerability, the importance of choice, and the role of different communication channels.

**2015 – 2018:** SMART-UP<sup>5</sup>

This was an EU- funded project running across five countries, and 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<sup>6</sup>

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 briefings, funding and free resources to support engagement activities. If you would like to get involved to ensure nobody is left behind during the smart meter rollout. In 2016, 439 smart meter champions in 239 organisations were trained and continue to support people in communities around Britain.

NEA also continued 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. Recommendations, principles, and amendments to policy are escalated to the Smart Metering Delivery Group (SMDG) by the chair of CRG.

### **Our Response to the Consultation**

We welcome that Ofgem are considering making alterations to how suppliers must report on the smart meter rollout as we move into a new phase. Whilst Ofgem have had an excellent understanding of the rollout plans for the larger energy companies, NEA doesn't currently believe that this extends to smaller suppliers, primarily due to the lack of available data. Additionally, there has been little 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 don't know when they should be able to get a smart meter from their supplier, despite the fact they are paying for the programme. NEA therefore believe that it is imperative for a summaries of plans to be in the public domain and stress that this should, in particular, include a summary of rollout plans for smart prepayment and more generally, how vulnerable customers are being engaged.

It is important that there is a minimum level of reporting across all suppliers, so that Ofgem and other interested parties can hold each supplier to account regarding their role in the rollout. Whilst we understand that smaller suppliers have fewer resources to be able to report fully on their progress and plans, it is important that there is some mandated reporting, particularly given the way that the market has fragmented since the beginning of the rollout, leading to a much greater proportion of the market being served by small suppliers<sup>7</sup>. We therefore welcome the intent to change the definition of a small supplier to those with fewer than 150,000 customers, in line with the trajectory of thresholds for both the Warm Home Discount and Energy Company Obligation. We also welcome that suppliers with fewer than 150,000 customers will face a minimum level of reporting of their annual milestones for the upcoming year and the progress made towards previous milestones. This is the absolute minimum that each supplier should report on in the next phase.

Within the proposals, it is suggested that large suppliers separate out reporting for credit and prepayment installs. This is an incredibly important metric to report on, and Ofgem should go ahead with this proposal. NEA had hoped that by now the benefits of 'pay as you go' smart would be a major success of the rollout and due to the reduced cost serve these customers, suppliers would be now coming forward with cheaper tariffs for PPM customers. This outcome has not materialised, and as of September, only 7,000 SMETS 2 meters were in prepayment mode<sup>8</sup>.

These households have potentially 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 get to a place where they can top up, or even to access the meter in their own home.

More than 100,000 prepayment customers also self-disconnect each year due to affordability issues, leading to dangerously cold homes. If suppliers were better able to monitor usage through smart meter data, they could do more to support those customers with a high propensity to self-disconnect. Additionally, in their investigation into the energy market, the CMA identified a significant detriment in the market for prepayment customers, 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. Ensuring reporting on progress and plans relating to smart prepayment is a key enabler of this. It is particularly pertinent given that the prepayment cap allows suppliers to pass smart metering costs through to these customers, without any immediate prospect that they will benefit from a new smart meter or cheaper tariffs.

In addition to splitting off reporting for households with prepayment meters, it may also be useful to report separately on customers who are on the priority services register, where a supplier has one. This would provide a valuable proxy to monitoring the rollout for consumers in vulnerable situations. These consumers are typically the hardest to reach, yet have the most to gain from the rollout, so it is crucial that suppliers can be held to account in managing this important part of a national infrastructure upgrade. This is something that Ofgem have proposed should be done as

part of the GDN's customer satisfaction survey reporting, so we do not anticipate that it would place a disproportionately heavy burden on suppliers when considering the potential benefits.

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<sup>1</sup> For more information visit: [www.nea.org.uk](http://www.nea.org.uk).

<sup>2</sup> NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

<sup>3</sup> 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>

<sup>4</sup> See the full report here: [https://www.citizensadvice.org.uk/Global/Migrated\\_Documents/corporate/smart-meter-extra-help-scheme-full-report-final1.pdf](https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/smart-meter-extra-help-scheme-full-report-final1.pdf)

<sup>5</sup> See the final report here: <http://www.nea.org.uk/wp-content/uploads/2018/08/SMART-UP-UK-FINAL-REPORT2.pdf>

<sup>6</sup> For more information please see <https://www.nea.org.uk/research/energywise/>

<sup>7</sup> Ofgem data suggests that this was at 8% in Q2 2019. See <https://www.ofgem.gov.uk/data-portal/electricity-supply-market-shares-company-domestic-gb>

<sup>8</sup> <https://www.parliament.uk/documents/commons-committees/business-energy-and-industrial-strategy/Correspondence/2019-20/Letter-from-Lord-Duncan-on-smart-meters.pdf>