

Citizens Advice Response to Consultation on the operational transition of smart meters.

November 2017



Introduction

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination. Since 1 April 2014, the Citizens Advice service took on the powers of Consumer Futures to become the statutory representative for energy consumers across Great Britain.

The service aims:

- To provide the advice people need for the problems they face
- To improve the policies and practices that affect people's lives.

The Citizens Advice service is a network of nearly 300 independent advice centres that provide free, impartial advice from more than 2,900 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups. There are 23,000 trained, trusted and knowledgeable volunteers across England and Wales. In 2016/17, Citizens Advice service advised 2.7 million people, with 43 million visits to our website.

Since April 2012 we have also operated the Citizens Advice Consumer Service, formerly run as Consumer Direct by the Office for Fair Trading (OFT). This telephone helpline covers Great Britain and provides free, confidential and impartial advice on all consumer issues.

Response

Question 1: Do you agree that options (b), (c) and (d) would minimise supplier-managed risks and consumer impacts associated with the SMETS1 end date? Please specify which option you think would minimise these to the greatest extent, and explain why.

Citizens Advice is not in favour of any extension to the current SMETS1 end date.

Whilst options (b), (c) and (d) may minimise supplier-managed risks, we do not agree that these options will minimise the consumer impacts associated with the SMETS1 end date. SMETS1 meters do not offer the same consumer benefits as forthcoming SMETS2 meters, with significant limitations associated with loss of smart functionality on change of supplier and wider issues around future access to DCC-enabled services. SMETS2 meters will also bring the benefit of energy-network services such as 'last gasp' and 'first breath' functionality that will allow networks to know immediately when a consumer is off power and take action. These are in addition to other technical consumer benefits that emerge with SMETS2. As such minimising the number of SMETS1 meters installed should be a priority to ensure the benefits of smart meters are delivered.

Risks of maintaining the current end date

Citizens Advice recognises that some suppliers may face operational risks and incur costs due to the challenges associated with the existing SMETS1 end-date. This could lead to under utilised/idle installers or a surplus of SMETS1 meters. Rollout plans and strategies differ significantly between suppliers, and this issue will affect suppliers to very different degrees dependent on their chosen strategies and procurement processes. It is our view that the risk of suppliers who have failed to adequately plan for the SMETS1 end date passing these costs onto consumers is minimal, given the other competition pressures in the market. Ultimately better planning by suppliers will be rewarded with lower costs associated with the end-date, as this is how this process was envisaged when the end-date was first established. Extending the end date would be unfair to suppliers that have accurately predicted and planned for their requirements, and also to suppliers that decided to wait until SMETS2 meters were available before beginning their roll-out

In our response to the 2015 consultation on the proposed SMETS1 end-date Citizens Advice took the view that the government was offering a particularly generous timeline to suppliers, and suggested that it should be shortened. We also specifically stated that “we would not want the timeline to be extended any further”¹. Our position remains the same.

Continued customer confusion

Extending the end date for SMETS1 installations will inevitably lead to confusing messages for consumers, particularly as SMETS2 meter installations begin to ramp up. It will be harder for consumers to make informed choices, and difficult for those advising consumers to ensure they are providing accurate information. Many consumers are choosing to wait until SMETS2 meters are available, and such an approach is increasingly being advised in the media². The existing end-date provides a set time after which those consumers who have chosen to wait will know they can either accept a smart meter or approach their energy supplier to request one in the knowledge that the meter installed in their home will be SMETS2. With derogations in place for various suppliers consumer communication on this matter will be considerably more difficult due to a lack of transparency over which meter-type a consumer can expect to be installed at any given time.

Citizens Advice has already received anecdotal evidence of some suppliers informing consumers that their smart meters are SMETS2, when we know that the supplier is not offering SMETS2 meters to the public yet. Derogations risk muddying the waters further. If an extension is granted, we would expect very clear consumer-communication to be required as to which meter type they can expect to have installed.

Whilst we agree there may be a risk of inefficiencies in the roll-out, which could lead to consumer disengagement, our view is that the minimisation of SMETS1 meters installed in consumers homes should be the higher priority when seeking to minimise consumer detriment.

Citizens Advice is aware work is currently on-going to enroll and adopt SMETS1 meters into the DCC. If successful, this should address some important limitations of this meter-type. However, research³ suggests the lack of interoperability in the interim can be a confusing and ill-explained customer experience. For the majority of consumers, these early experiences are likely to dictate their engagement with smart meters. It is also likely to be a contributing factor in how all smart meters are viewed by the public.

¹[Citizens Advice Response to DECC's "Consultation on the Smart Metering Rollout Strategy"](#), 2015, Q14

²

<http://www.thisismoney.co.uk/money/experts/article-4452002/My-provider-wants-install-smart-meter-say-no.html>

³ [Early consumer experiences of smart meters](#), 2016, Citizens Advice

It is also important to note greater SMETS1 volumes translate into a cost increase to allow for interoperability risks from SMETS1 meters deployed (e.g. risk of asset stranding)⁴ and any increases in SMETS1 meters installed will lead to higher enrolment and adoption costs.

Question 2: Do you agree with the Government's minded-to position of introducing a quantity and time derogation with a 6-month time limit (option (d))? Please give reasons for your answer.

Citizens Advice is not in favour of any extension to the current SMETS1 end date.

If a derogation process is introduced, option (d) would be considerably preferable to option c. Introducing a derogation based on time limit alone risks incentivising suppliers to install a high volume of SMETS1 meters into consumers homes at high speed with potential negative implications for both quality and safety.

Question 3: Do you agree that a cap of 70% of a supplier's SMETS1 installations in Q2 2017 is appropriate in relation to option (d)? Please give reasons for your answer.

Citizens Advice is not in favour of any extension to the current SMETS1 end date.

If option (d) is implemented, we agree that the cap should be a percentage of the supplier's SMETS1 installations in Q2 2017. This would ensure the cap is realistic and based upon a defined number, providing certainty for suppliers and government. Basing the figure on future estimates risks uncertainty and potentially could be swayed by optimism bias.

Our inclination is to reduce the percentage of supplier's SMETS1 installations in Q2 to 50%. Doing so would provide sufficient incentive for suppliers to better predict their requirements, whilst allowing for some flexibility.

Question 4: Do you have any comments on the proposed derogation criteria?

Citizens Advice is not in favour of any extension to the current SMETS1 end date.

However, if option (d) is to be implemented, we recommend including a consumer metric within the derogation criteria, measuring consumer detriment should the end date remain the same. In the short-term, SMETS1 meters offer less value to consumers than SMETS2 meters. Should the supplier wish to install a SMETS1

⁴ [Smart meter roll-out - cost benefit analysis](#), 2016, BEIS

meter in the consumer's home, they should demonstrate that consumer detriment is greater without an extension.

Further, evidence should be provided of how the supplier has or could minimise this detriment before the derogation is awarded.

Question 5: Do you agree that the legal drafting in Annex A implements the policy intention? If not please explain why not.

Yes

Question 6: Do you have any additional comments on the legal drafting?

N/A