

**Citizens Advice
Response to
DECC's:
"Consultation on
amending Smart
Meter In-home
Display Licence
Conditions"**



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, 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 400 independent advice centres that provide free, impartial advice from more than 3,500 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. In 2012/13 the Citizens Advice service in England and Wales advised 2.3 million people on 6.6 million problems.

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

In the last four quarters Citizens Advice Bureaux have dealt with 84,000 enquiries about fuel debt, while hits to the energy section of our website doubled in October and November, the period during which suppliers announced their price increases last year. Calls to the Citizens Advice Consumer Helpline seeking advice about energy doubled in the same period.

Initial Comments

Citizens Advice welcomes this opportunity to respond to DECC's consultation on amending smart meter In Home Display (IHD) licence conditions. Citizens Advice and its predecessor bodies Consumer Futures/Focus have been extensively involved in the smart meter rollout since its beginnings and IHDs represent the 'face' of smart metering for the majority of consumers. The benefits of IHDs compared to other methods of consumer feedback have also been repeatedly demonstrated in studies across the globe¹ and are likely to represent the mechanism by which the vast majority of the consumer benefits identified in DECC's impact assessment are delivered. As such IHDs are and are likely to remain a critical element of the smart meter rollout for consumers.

The Home Area Network (HAN) through which IHDs will operate also represents a critical element in ensuring that consumers are able to retain control and transparency of their energy data. The IHD and HAN ensure that consumers will always be able to make use of their near-real-time usage data without the need to share it with other parties or to reach it via a gatekeeper.

Since the inception of the smart meter rollout it has been understood that energy suppliers and third parties would seek to utilise and develop further tools to help consumers make more use of their energy data - such services would either be sold or provided in exchange for more detailed access to consumer data beyond the single monthly read to which energy suppliers are entitled.

The benefits of consumer tools making use of smart meter data have consistently be shown to be cumulative, that is to say that while historical research has consistently shown IHDs to be the best single tool to help consumers, a combination of tools has often been demonstrated to be even more beneficial. As such these tools should not be viewed as an either/or choice for consumers but rather the opportunity to find the best combination of tools, this will improve both consumer outcomes and choice as well as allowing consumers to combine tools in a way that works best for them. An either/or approach will preclude such personalisation and suppliers will have a clear incentive to provide simply the cheapest, rather than most beneficial, intervention. It should also be noted that any interventions involving access to the internet through phones, tablets or PCs will, by their very nature be of no use to the digitally excluded.

Citizens Advice shares the government's goals to learn more about the potential benefits of additional approaches, particularly newer models like online energy

¹ Beyond DECC's own Early Learning analysis (<https://www.gov.uk/government/publications/smart-metering-early-learning-project-and-small-scale-behaviour-trials>) there are also wider data sets available in ESMIG reports (http://esmig.eu/sites/default/files/final_empower_2_demand_report_final_distr2.pdf)

'apps' for consumers. Comparing new tools to IHDs seems a reasonable approach. Apps may well be a welcome addition to IHDs for consumers and one that energy suppliers and third parties have a clear incentive to develop given that such apps would allow them access to much more detailed consumer data. This incentive is demonstrated by the many already-existing and in-development apps available from energy suppliers and elsewhere; the IHD-mandate has quite clearly not hindered developments of other services.

The consultation document repeatedly refers to new tools as potential "alternatives" to an IHD. While specific trials seeking to compare new approaches to IHDs may need to pitch them as an 'either/or' prospect for methodological reasons, Citizens Advice expects any new approaches to be treated as "additional" during the wider rollout and beyond.

Question Responses:

Question 1: Do you agree with the preferred approach for closing off the risk to the IHD offer summarised at paragraph 2.10c?

We agree with DECC's preferred approach: the consultation rightly identifies an issue that consumers have raised with us, where some energy suppliers are offering an 'app' instead of, rather than in addition to, an IHD- a breach of the spirit if not the letter of the IHD mandate.

It should be noted that the communication materials sent out by suppliers in these instances have also been biased heavily in favour of choosing the app over the IHD - including the use of a "recommended" bar across the top of the option to choose an app, and details about IHDs that focus entirely on the negatives in comparison with the apps (i.e. the inability to access information across devices). There also appear to be some tariffs that mandate the choice of an app over an IHD - failing even to provide an either/or choice for consumers.

Crucially, these supplier communications also fail to acknowledge at any point that an app would allow the energy supplier to access the consumer's detailed consumption data, whereas an IHD leaves that choice (and therefore leverage to negotiate for additional benefits) with the consumer. This is a considerable omission, particularly given the central importance of transparency and control of data to consumers. There is a wider reputational risk to the smart meter rollout from such behaviour.

We strongly support the steps taken to close this loophole, and recommend that DECC works with Ofgem and SMICoP to ensure suppliers fully explain the value of the IHD to consumers during installation.

Question 2: Do you have any comments on the proposed legal drafting amending IHD Licence Conditions at Annex 2?

We would welcome some further clarity on section 40.4 as there may be some scenarios where a consumer who already has an IHD may reasonably want the opportunity to receive another. These may include:

- Consumers with sight, dexterity or other impairments who have received an IHD that is difficult for them to use where a different model may be more appropriate.
- Non-dual-fuel customers who, for example, had an electricity smart meter fitted and received an IHD early in the rollout and (potentially years) later have a gas smart meter fitted by a different supplier - if the second supplier offers better, more appropriate or simply more up-to-date IHDs the consumer should not be prevented from being offered one.

Question 3: Do you agree with the proposal to allow suppliers under their Licence Conditions to apply to the Secretary of State for a derogation from the IHD mandate in order to trial IHD alternatives? If not, please provide supporting comments.

We broadly support the proposal, though we would add that any supplier seeking to undertake a trial should:

- Be installing fully SMETS-compliant smart meters (not “SMETS-able” meters which may be upgraded in the future)
- Be in full compliance with the SMICOP for all their installations
- Provide the consumer with a clear choice as to whether they participate in the trial
- Clearly explain to all participants the purposes and goals of the trial and to provide some form of debrief afterward
- Clearly explain to any participants the differences (if any) between interventions in terms of who their energy data is shared with, in what detail and what it is used for.

We have already seen extensive evidence of suppliers pushing smart meters on consumers in a variety of ways that go beyond simple promotion of the benefits. These have ranged from implying that smart meters are compulsory to visiting properties claiming to be from the local council to install new meters.

We have also seen repeated evidence of failures by suppliers to communicate the implications of different services vis-a-vis consumer data - a striking example can be found with the loophole Questions 1 and 2 seek to address where no mention was made of the differences in representations to consumers.

Given industry's poor record on clearly communicating with consumers about smart metering and the historic lack of trust consumers have in the energy industry, we would expect any derogation request to include a clear sense of how a supplier intends to communicate with any potential trial participants regarding all of these factors.

Question 4: Do you agree with the proposed broad principles underlying the derogation process and the scope of the design requirements to be included in trial guidance? Please provide evidence to support your response and any other matters that you think should be taken into account.

While we appreciate Government's desire not to take too prescriptive an approach one key factor likely to have a significant impact on the accuracy and usefulness of trials is the timescale over which they occur. One of the strongest arguments for IHDs has been their consistent long-term performance as compared to other interventions which see shorter periods of use. As such it will be vital that any trials are run for long enough that this crucial long-term factor can be adequately tested.

We would strongly support the proposal in paragraph 3.40 that alongside an IHD control and the new technology there be a third consumer group given both interventions. This data will significantly help establish to what extent consumer benefits are cumulative. Past evidence shows that they often are and this is an element worth capturing. We would encourage the Secretary of State to make this a significant factor in deciding when to approve derogations.

It will also be vital that any trials report findings by demographic to ensure that an understanding is gained of how benefits may vary and that overall positive results do not mask issues for certain consumer groups.

We would also encourage suppliers to use this opportunity to test how they explain interventions to consumers in order to better learn how to communicate effectively - this knowledge would likely form a useful input into the SMICOP.

Question 5: Do you agree that we should require in Licence Conditions all derogation applications to be submitted to the Secretary of State by the end of January 2017?

Subject to our responses elsewhere in this consultation document this seems to be a reasonable timeline

Question 6: Do you agree that suppliers should be required to offer those customers on a trial an IHD as an either/or with their alternative engagement tool at the end of the trial?

We believe that any consumer participating in a trial who did not receive an IHD should be offered an IHD at the end of the trial but not that this should be an either/or proposition. This offer should also be accompanied by a SMICOP-compliant explanation of how the IHD works.

A consumer who has participated in a trial with, for example, an app instead of an IHD will not have had the chance to evaluate an IHD and will have no sense of whether they as an individual household would benefit more or less from one, or indeed whether they might simply prefer one. Consumers will not be in a position to make an informed choice if presented with an either/or choice. Indeed given the prevalence of loss aversion, consumers are most likely to default to keeping what they have rather than exchanging it for anything new even if it is not rational for them to do so.

As noted in the introductory comments of our response and in the consultation document it has been repeatedly demonstrated that consumers benefit most from a combination of tools/interventions - as such it is not unreasonable for a consumer to want both, particularly as they may serve very different functions and offer distinct benefits. Benefits are also likely to vary by householder, with some getting most use of a simple traffic light functionality while, for example, the bill payer makes use of a phone application.

Paragraph 3.31 raises supplier concerns about the costs of consumers electing to receive both interventions, we would again emphasise that it was always the intention of the rollout, and the stated intention of energy suppliers, that they would innovate, and seek to develop or procure services in addition to IHDs as a differentiation factor from their competitors. In the cases of services that involve energy suppliers accessing more detailed consumer data than the monthly read they are entitled to, such services are also offered in exchange for access to this valuable data.

The fact that several energy suppliers have already developed and procured a range of additional services for their customers (from more detailed bills to

smartphone and tablet apps) demonstrates that the business case for suppliers to offer such tools is already strong enough to incentivise development and innovation in this space alongside the IHD mandate. There is no clear case for also allowing suppliers to no longer offer an IHD where a consumer may still benefit from one.

With specific reference to apps it should also be noted that once an app has been developed the costs of distribution are minimal and scalability vast - given that they have already been developed it seems unlikely that rolling them out would generate significant extra costs for suppliers, certainly not enough to counter the large financial benefits to energy suppliers of increased data access and the additional differentiation from competitors.

In the unlikely event that apps are not cost-effective for energy suppliers third parties, who in many cases may be more trusted by consumers, are very likely to fill that niche, informal conversations have indicated several organisations already looking at exactly this.

Consumers are increasingly aware that their data has value and they should be able to leverage this value with suppliers to ensure they receive additional benefits in exchange for sharing it - the original data licence conditions were drafted with this in mind. A clear distinction must be drawn when evaluating the outcomes of these trials between services that allow a consumer to maintain control of the detailed data within their own home (as the IHD does) and services that allow energy suppliers full access to these valuable data streams as well.

If, as seems likely based on past research, it becomes clear that consumers benefit most from multiple tools/interventions then it would be both detrimental and counterintuitive for Government to put forward legislation that undermines a consumer's ability to receive multiple services.

Question 7: Do you have views on whether the current Licence Conditions giving consumers 12 months to change their mind on taking up an IHD should apply from the point of the IHD offer for trial participants?

It is our view that the 12 month period should start at the end of the trial i.e. once the consumer is in 'normal' circumstances.

Question 8: Do you have any comments on the proposed legal drafting introducing new Licence Conditions at Annex 2?

Citizens Advice would only emphasise the importance of ensuring that the legal drafting reflects the intention of the regulation, as demonstrated by the loophole being addressed through Question 1 and 2 of this consultation. As demonstrated

by this and indeed elsewhere in the smart meter rollout, intention and effect have not always aligned.

We also recommend DECC and the regulator make explicit the intention of this newly drafted legislation and their interpretation of it in terms of practical application to consumers to avoid any confusion in future.