

Citizens Advice Response to BEIS Consultation on the Early Rollout Obligation

November 2016



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 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 2015/16, Citizens Advice service advised 2.7 million people on 6.2 million problems, with 36 million visits to their 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.

In the last four quarters Local Citizens Advice 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.

Response

Question 1: Do you agree that government should remove the Early Rollout Obligation?

No, we are not in favour of the removal of the ERO. In its role as the energy consumer champion, Citizens Advice has become increasingly concerned over recent months by emerging issues with the DCC (incremental slippages to Go Live in particular) and knock-on effects these could have for consumers, most notably an increase in overall installations of non-interoperable SMETS1 meters.

We are concerned by the removal of the Early Rollout Obligation (ERO) for a number of reasons; Firstly, it sends a message to suppliers that installation of SMETS2 meters is not as much of an imperative as it should be. Secondly, it raises the probability of even more SMETS1 meters being installed than was flagged in the Government's Cost Benefit Analysis (CBA). Thirdly, we are concerned by the cautious approach that removal of the ERO signifies.

Our research established that, despite the existence of a requirement on suppliers to inform consumers about the limitations of SMETS1 meters, just 3% said they had been told about any by their supplier ahead of their meter being installed¹. However, when told about the potential issues with SMETS1, specifically that most were unable to retain 'smart' functionality after switching, nearly half those we surveyed said they would probably or definitely not get one. This combination of lack of education and negative sentiment towards SMETS1 meters makes it important that SMETS2 iterations are made available to consumers as soon as possible.

The Government's new CBA for the programme flagged an anticipated increase in SMETS1 numbers from 5.4 to 8 million meters². As the figures for this document were gathered in August and that the communications system for SMETS2 was delayed several times subsequently, it is not unreasonable to speculate that this is a conservative assessment. Indeed, the DCC's Initial Enrolment Feasibility Report³ estimates the market will reach at least 10 million SMETS1 meters. Given consumer sentiment, it is crucial for consumers that the Government takes all necessary steps to ensure that fully interoperable SMETS2 meters are rolled out as soon as

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<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/early-consumer-experiences-of-smart-meters/>

² <https://www.gov.uk/government/publications/smart-meter-roll-out-gb-cost-benefit-analysis>

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<https://www.smartdcc.co.uk/consultations/dcc-consultations/consultation-on-initial-enrolment-project-feasibility-report/>

possible. This will ensure people get the best possible experience, avoiding the inconvenience of either losing their 'smart' functionality or having to get a replacement for their SMETS1 meter on switching. The latter is particularly undesirable, involving as it does unnecessary lost time and productivity on the part of the consumer due to another installation visit, and extra cost overall for the programme through forced obsolescence of a perfectly serviceable asset.

Inevitably, like with any new technology, SMETS2 meters will have unforeseeable issues and problems at the outset. A controlled and managed early installation approach would allow BEIS and other stakeholders to keep abreast of the risks and manage consumer expectations. Without this, and with no certainty as to what approach suppliers will take, there is a chance that many of these problems could simply be prolonged, with many more consumers being affected in the main rollout by problems that could have been dealt with in a more contained manner.

This delay could have impacts on consumer protections as well. In Ofgem's decision on smart billing, they set out that suppliers had committed, through the Energy UK Billing Code, to implement a voluntary six-month limit on back bills for consumers with smart meters 'as soon as practicable'. Later in the same document reference is made to an Energy UK proposal that this would be implemented six months after DCC go-live.⁴ However, we now understand that Energy UK Billing Code members intend to implement this change six months *after* they determine that the DCC is 'stable', as defined by criteria set in isolation by these suppliers. Removal of the ERO is likely to delay the point at which sufficient meters have been installed to determine DCC stability according to these criteria. We have consistently called for a mandatory limit to smart backbilling to be implemented as soon as possible - but while the regulator continues to pursue a voluntary approach the proposed removal of the ERO is likely to further delay these important protections (including for consumers with SMETS1 meters who do not even make use of the DCC).

Further, given the problems and inconveniences that SMETS1 meters can and do cause for consumers, the late issuing of the impact assessment for enrolment and adoption of these meters to the DCC is regrettable. That assessment was originally due to be presented to the Smart Energy Code in the summer of 2016, so its publication in November was several months late. We urge the Government to use its influence to ensure the timetable for actually getting assets adopted does not leave consumers stranded with non interoperable smart meters for a significant period of time.

Finally, should it be found undesirable to retain the ERO or adopt and enrol SMETS1 meters at scale, we would suggest an alternative approach. The Government may wish to review its current timetable and any associated negatives - like unplanned

⁴ https://www.ofgem.gov.uk/system/files/docs/2016/03/smart_billing_for_a_smarter_market_-_final.pdf

additional installations of SMETS1 meters - with a view to alleviating pressure on suppliers to install meters at the volume required to meet current targets.