

# **Response to DECC's further consultation on non-domestic smart metering: the DCC opt-out**

The logo for Citizens Advice, featuring a dark blue speech bubble with a white tail pointing downwards and to the left. Inside the bubble, the words "citizens" and "advice" are written in white, lowercase, sans-serif font, stacked vertically.

**citizens  
advice**

Citizens Advice supports the rollout of smart meters to small and medium enterprises (SMEs) and micro-businesses. As for the domestic sector<sup>1</sup>, we see clear social and economic value in accurate billing and the anticipated demand reduction, but recognise that the non-domestic sector has distinct challenges and needs, not least in terms of the desire and potential for savings.

Unless the interest of consumers drives the smart meter programme, SME consumers will face the costs, but not enjoy the potential benefits. Citizens Advice has raised, and will continue to raise, their interest directly with governments, regulators and market players. We also note that this is an energy policy where we are attempting to ensure that SMEs are neither ignored nor given different treatment unless it can be clearly justified. In the case of the latter we have had long concerns regarding the ability to opt-out of the Data Communications Company (DCC), especially in terms of interoperability.

Our priorities therefore are to ensure that there are adequate procedures in place and an understanding of businesses' needs to ensure the rollout achieves its aim of sustained demand reduction. Our answers below follow from this position.

**Are you aware of any firm plans for providing communication services equivalent to those operated by the DCC that would enable the full range of smart meter benefits to be delivered, including arrangements for ensuring equivalent security and meter interoperability between such providers and between these providers and the DCC during change of supply? If so, please cite specific examples, indicating likely timescales and whether the information needs to be kept confidential.**

Citizens Advice is not aware of such plans. We can envisage these services developing for larger businesses though, as you know, our remit formally covers micro-businesses as defined by Ofgem licence condition 7A. We remain unconvinced by the argument that small businesses will demand alternatives to the DCC given their limited consumption and, in some cases, limited ability to employ demand response. As you say in the consultation document, no respondent (to earlier consultations) who has predicted credible DCC alternatives has provided specific examples of who or how that could be construed as evidence of this occurring. The onus should be on them to do so.

We also understand from bilaterals that no suppliers expect full alternatives to the DCC to exist either; their own plans are all DCC-oriented. We are satisfied that this is in consumers' interests, primarily in terms of ease of interaction (inherent) and system costs (which will be minimised by using one system).

**Do you agree that the need for a site visit would have a significant impact on small businesses' willingness to engage with the market and switch supplier, in comparison with a situation where there was full interoperability?**

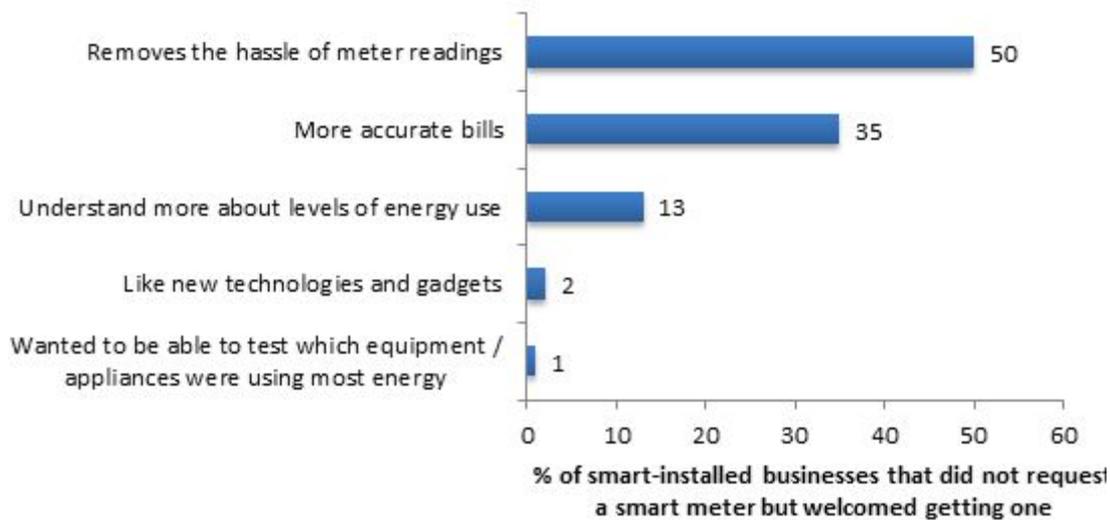
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<sup>1</sup> "Taking control: the potential for policies to help consumers use less, waste less and pay less" shows the high level policy positions behind domestic smart meter works, and connected ones, <http://tinyurl.com/lpl4o3o>

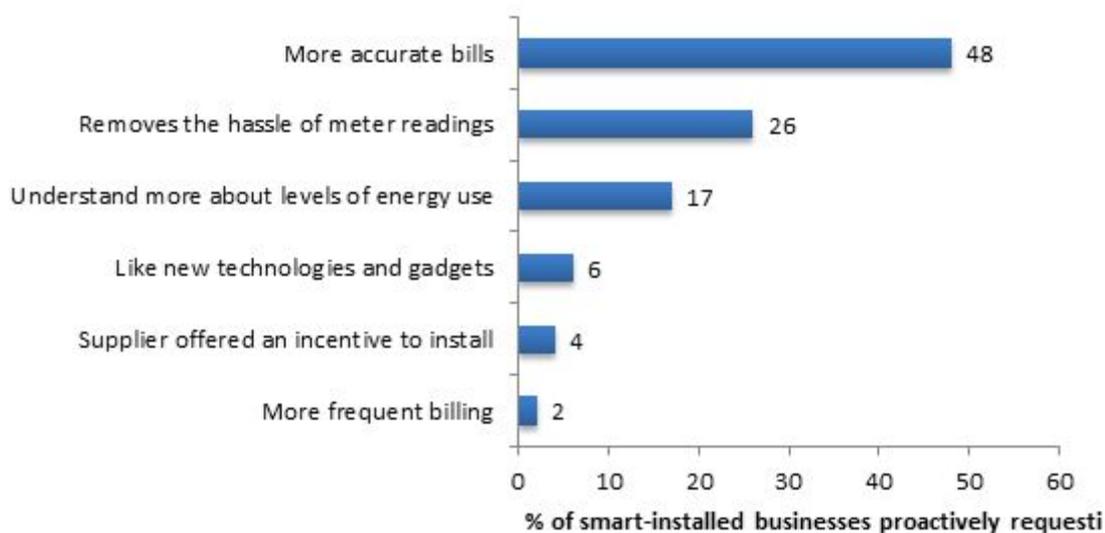
## We would also welcome views on any other potential impacts on non-domestic consumers if the opt-out is retained?

Citizens Advice certainly agrees that site visits are a barrier to interoperability, market engagement and thus the eventual success or otherwise of the smart meter rollout. They should be avoided so as not to undermine switching - rates for which are significantly higher in the non-domestic market than the domestic equivalent.

Our research<sup>2</sup> in this area and that of others is consistent in its uncovering of SME interest in smart meters, none of which seems to link to the kind of sophisticated services theoretical non-DCC services would be offering. SMEs with smart meters (but who did not request one proactively) listed the following as positive features they now welcomed;



And where consumers had requested a smart meter;



We are not aware of any research that suggests significant consumer interest beyond accurate billing and associated areas like meter readings. Ultimately consumers who

<sup>2</sup> <http://tinyurl.com/gm4ckst>

achieve these objectives and do not experience undue hassle (such as site visits, but also new hardware requirements) will be satisfied and can then potentially reduce their consumption. Whilst this objective is outside this consultation remit, making it easy as practicable for consumers to do so is key for consumer benefit given the limited direct gains from such consumption decreases. This may be via energy efficiency measures or by new innovative tariff options.

A further effect to consider is that it is reasonable to expect that larger suppliers especially will be able to help shape the DCC to their own needs and those of their consumers, either internally or through later engagement. The question is whether those companies who have been rolling out smart meters early have an incentive not to participate in general pro-DCC behaviours if barriers to interoperability limit their customers' ability to switch and therefore helps to tie the customer to them; this is largely irrelevant in a non-opt out world.

We particularly do not want to see any kind of artificial barrier thrown up between the big six and other (independent) suppliers as the latter suffer disproportionately from their own non-smart issues in terms of customer service already. The longer this uncertainty goes on the more difficult this issues may be to unpick. It also has adverse effects on the sharing of best practice that Ofgem (amongst others) has indicated is a key aspect of the DCC going live; the more suppliers of all types in the DCC, the more efficiently this best practice can be disseminated.

With no opt-out, SMEs who would be happy with DCC services may find themselves locked into a small supplier who has opted-out for their own reasons. This may or may not be explained properly at point of sale or installation. This is especially egregious because previous DECC work<sup>3</sup> in this area has expected high rates of DCC penetration regardless of opt-out, which leads to questions as to what "rump" of suppliers would not use the DCC and why. The fear would be that they intend to offer substandard, expensive or overly complex "solutions" to consumers with fairly basic needs and wants, a key one of which is enhancing their ability to switch to a cheaper deal.

**What impact would removing the opt-out have on the competitiveness of the nondomestic supply market? Please be specific about how the opt-out would affect the energy market and which sectors would be affected.**

This partly comes down to what different stakeholders mean by "competition". Being in the DCC does not inherently mean that suppliers cannot or will not offer interesting or innovative approaches to data management. However, given the aforementioned predicted penetration rates of 70-80% in the Impact Assessment, not being in the DCC will necessitate alternative communications approaches that will be bespoke (and thus expensive) and not necessarily in consumers' interests.

It could be argued that competition suffers markedly by having an opt-out because it will reduce consumer willingness to engage due to interoperability issues. Competition as a means to an end is our primary concern, the end being a market that works for consumers (and not the other way around). The lack of interest in non-DCC alternatives seems to reflect consumer desire and is not therefore a bad thing in and of itself; it is not

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<sup>3</sup> <http://tinyurl.com/hw9y4zz>

therefore success to have more than one communications body, nor is it competitive “failure” if there is only one (the DCC), by accident or design. Indeed, if consumers have to go through their supplier to access their own data (because there is no separate hub or they are not in the DCC) this could have a negative impact on access to third party services (because it is not as easy as possible to access), and thus on competition.

Citizens Advice understands that a whole host of strong measures will be recommended by the CMA inquiry which will have positive consequences for competition, including published prices and (through Ofgem) a code of practice for brokers. We fully support these measures to increase consumer engagement. In this context the DCC development is marginal in its effects on competition.

**Do you have any comments on the Government’s proposal that, if it decides to remove the DCC opt-out, this should be done by extending the Enrolment and User mandates to cover non-domestic premises? Please provide a detailed explanation if you disagree with the proposal.**

We agree that this proposal is the most efficient way of removing the opt-out.

**Do you agree that the supply licence conditions, the SEC and DCC licence conditions would need to be amended as described in paragraphs 24 to 27 above? If not, please provide a detailed explanation for your views.**

Yes, they would need to be amended, and in the way you outline.

**Do you agree that the controls currently in place in the DCC Licence to prevent the DCC from abusing its monopoly position are sufficient in the event that the Government extends the DCC’s monopoly to cover the non-domestic market? If not, please identify specific areas of concern.**

The controls seem sufficient and suitable for this market also.

**Do you agree that, in the event of the Government removing the DCC opt-out, the Government should extend uniform fixed pricing to non-domestic premises? If not, please identify specific areas of concern.**

Again, this seems sensible.