

27th May 2015

Dear Sir,

Citizens Advice supports the rollout of smart meters to small and medium enterprises (SMEs) and micro-businesses. As for the domestic sector^[1], 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 credible desire and potential for savings.

Unless the interest of consumers drives the smart meter programme, SME consumers will face the costs, but be at risk of not enjoying the potential benefits. Citizens Advice has been raising, 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 differential treatment unless it can be clearly justified. In the case of the latter we have long had concerns regarding the ability to opt-out of the DCC, most especially in terms of negative potential impacts on 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 a sustained demand reduction. Our answers below follow from this position.

Do you envisage that smart metering communications services will be, or are likely to become available from alternative providers to enable the satisfactory operation of SMETS2 meters if opted out of the DCC?

We do not have any evidence one way or the other. We have always expected (like yourself in your impact assessments) that larger suppliers would choose to use the DCC regardless of

mandating; our bi-laterals with suppliers have confirmed this, principally for their own ease of doing business. Thus the opt-out would be limited and probably disproportionately made-up of smaller suppliers, which raises its own set of issues.

We also expect that, in practice, these larger suppliers 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. In particular, we do not want to see some kind of Chinese wall thrown up between the big 6 and other suppliers as the latter suffer from their own non-smart issues in terms of customer service already.

Whilst non-DCC SMETS2 meters would almost certainly operate "satisfactorily" therefore we cannot really see the logic in having very small businesses on such meters. Through our ongoing monitoring work, we have do not detected significant enthusiasm for advanced or bespoke technology given their energy consumption and rather basic needs from smart i.e. an end to estimated bills and, possibly, demand reductions.

We also do not think that being in the DCC means suppliers cannot or will not offer interesting or innovative approaches to data management. However not being in the DCC inherently forces alternative communications approaches that will be bespoke (and thus expensive) and not necessarily in consumers' interests.

We would welcome views on what challenges are likely to be faced on the transfer of meters between opted-in and opted-out suppliers. We also invite comments on what you consider to be the likely impacts on the interoperability of SMETS2 meters if some SMETS2 meters are opted out.

This has also been a major concern of ours, especially because the market could effectively segment between larger and smaller suppliers. 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 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^[2]. 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.

Are the actions that the programme would need to take (in conjunction with stakeholders) to facilitate an opt-out proportionate, given the possible number of meters that might be subject to an opt-out? In answering, please take into account your answer to question 2.

To maintain an opt-out would in and of itself be disproportionate given the gains in having one system and the limited value, if any, when small businesses potentially face issues when switching.

We would not want to see any consumers required to pay at the point of entry (or through a higher unit rate) if they need new technology when switching supplier. This is a red line for us and is not guaranteed in a mixed world of DCC and non-DCC.

If consumers have to go through their supplier to access their own data (because there is no separate hub or 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 on competition. Strong evidence in the domestic sector shows that where displays are provided with smart meters that the energy savings delivered increase.^[3]

Do you consider that the opt-out policy position remains appropriate or should it be removed? In particular, please include views on any specific issues you think the Government would need to consider if it were to remove the opt-out and require the enrolment in DCC of SMETS2 meters installed at non-domestic premises.

The opt-out is not appropriate and should be removed. We can only see potential disadvantages to consumers if their supplier is not in the DCC and believe that interoperability and data access as key aims to ensure easy switching must be kept paramount.

Your consultation makes clear that SMETS1 meters can be rolled out after April 2016 if small suppliers face significant difficulties with their more sophisticated counterparts. This seems reasonable as the big increase in ability and utility is between Advanced and SMETS meters of

either level. It also maintains momentum in the non-domestic rollout and stops the requirement for a differential charging regime and thus attendant complications there. We also though support the cap on these meters in terms of overall numbers.

Do you agree with the Government’s justification that this insufficient justification to extend the end-date for the advanced metering exception? If not, please provide your reasons and any evidence you wish to offer in support of your view.

We do agree with your view. SMETS1 rollout is, as you say, eminently possible (including for small suppliers) after April 2016 and we do not want to see more consumers than necessary with “only” Advanced technology and the risk of stranded assets. The bottom line should be SMETS compliance overall and end-date extension would jeopardise this. The convergence with DCC go-live makes this especially logical.

[1] “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>

[2] 75% of electricity meters

[3] ACEEE Advanced Metering Initiatives and Residential Feedback Programmes (2010).

<http://bit.ly/1w8E5G9>

Yours sincerely

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