

# Smart Meter Extra Help

Ensuring all consumers benefit from the rollout of smart meters

September 2014



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### Acknowledgement

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The research on which this paper is based was prepared by National Energy Action for Citizens Advice. That research is available on the Citizens Advice website and is essential reading for any party wanting to assist in the further development of these proposals.

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## The case for extra help

Citizens Advice is concerned that consumers in vulnerable situations could miss out on the potential benefits of the £11 billion smart meter rollout, which they will be helping to fund through their energy bills. We want all consumers to have affordable, accessible and safe energy services, and government and industry need to address the particular risks faced by consumers in vulnerable circumstances.

### Risks to consumers in vulnerable situations

#### Affordable?

Consumers will not get value for money and/or financially benefit from smart meters, generating reputational risks and putting pressure on the scale and costs of the programme.

#### Accessible?

Consumers will not be able to access the benefits of smart meters due to their circumstances, such as income, tenure, property type or energy literacy.

#### Safe?

Consumers will be at risk either due to misselling of other energy services in the home, or due to an incomplete response to finding dangerous appliances and heating systems in the home, and won't know who to turn to when they feel unsafe.

#### Fair?

Some consumers will be willing to engage with, and pay extra for, new smart appliances and technologies. They will reap the financial benefits of the smart meter rollout, while vulnerable consumers are left to fund the infrastructure through higher bills.

Given these risks we want the Smart Meter Installation Code of Practice (SMICOP) to explicitly require suppliers to provide a dedicated service for consumers in vulnerable situations, in addition to phone and web-based support available to all consumers. To identify what form this could take we are asking government, the regulator and industry to pilot different approaches. We summarise those here, with the related challenges, with a view to generating interest and ideas on how to take those options forward.

### Success criteria

Consumers in vulnerable situations: benefit from the smart meter rollout, feel safe during the installation, with condemned appliances replaced for those most in need; get help with their bills, from reliable advice on cutting energy through changes in use or tariff through to the installation of measures; and get the financial assistance with their bills and energy efficiency services that they are entitled to. This is achieved with little to no impact on others' bills, because of economies of scale, through the dovetailing of smart meter and energy efficiency programmes, the application of data-matching to identify those in need, and the limiting of reputational risks to programme delivery.

## Recommendations for an extra help service

### Defining vulnerability

Key definitions of vulnerability in the energy sector are moving away from a category-based approach towards an understanding of the condition as transitory – a combination of individual characteristics and structural factors. A smart meter extra help scheme will need to consider how to make services accessible to a broad range of potentially vulnerable consumers, while also adopting a feasible eligibility criteria that makes best-use of existing proxies.

A customer is classed as vulnerable according to the following definition – ‘a customer is vulnerable if, for reasons of age, health, disability, or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household’

*the definition of vulnerability under the Smart Meter Code of Practice*

### Practical implications of a broad definition

Any proxy inevitably misses people out while an entirely flexible approach fails to provide the clarity required to identify resource requirements and target households.

Dovetailing existing criteria will facilitate integration with other schemes, which is in itself necessary to the delivery of the energy saving potential of the smart meter rollout.

#### Related schemes

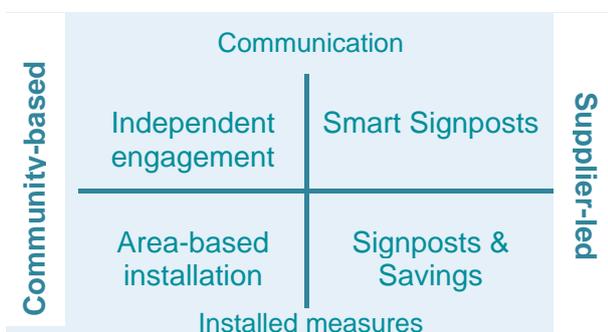
Cold Weather Payment

Warm Homes Discount Broader Group

Energy Company Obligation (ECO)

Affordable Warmth (AW) Group

### How to help



The rollout is supplier-led and in a silo from other measures to help consumers cut their bills; but an Extra Help Service could take a different approach to ensure the needs of consumers in vulnerable situations are met.

We have identified four options to test different variants of delivery body and level of intervention.

### A matter of choice

Just as consumers can choose whether or not they want a smart meter, an opt-in approach should be applied, alongside proactive targeting rather than supplier discretion, to ensure consumer choice and to avoid wasteful use of limited resources.

### Speak the consumer's language

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Messages are successful when they provide bespoke information and avoid generic tips and advice.

Suppliers will have flexibility about the way they 'sell' smart to their customers, including vulnerable ones. They should seek to provide bespoke advice to different consumer segments. This includes using language and form that resonates with the target audience. Such messages should not be restricted to financial costs and benefits.

#### Relevant characteristics

- Spending, or budgeting, profile
- Reference to applicable services and subsidies
- Attitude to the environment
- Property type and its energy use
- Presence and type of heating controls
- Payment method

### Different channels in recognition of different consumer needs

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A range of channels is necessary to reach different consumer needs, underpinned by dedicated staff trained in vulnerability to ensure needs are understood and met.

Extra help services can have particular success in reaching consumers in vulnerable situations by offering face-to-face support and advice. This clearly has an additional cost but could be linked with a suite of energy saving and bill-cutting measures that will in turn help deliver the savings identified in the business case for smart meters.

### One-stop shop to help consumers in vulnerable situations navigate

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Many extra help schemes are based on a one-stop-shop model, which provides a single point of contact to access a range of services. This approach provides a form of hand-holding: navigating a consumer through a complex service delivery landscape. Examples of a one-stop-shop model include single point of contact referral networks, personal customer managers and 'whole-house' fuel poverty programmes that seek to implement a 'one-and-done' approach. The latter integrate a coordinated package of energy efficiency measures with support to improve energy and financial literacy.

### Partners can help build trust

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A partnership approach between a scheme provider and third parties is often critical to both access consumers in vulnerable situations to offer extra help, and to disseminate key messages through channels that people use and trust. Partners may include national organisations, community groups, children and young people and social networks, dependent on who ultimately benefits from the programme. Methods include co-branding, third party referral pathways and outreach events. A smart meter extra help scheme could benefit from promoting and/or delivering extra help through trusted third parties. Coordination of partners at a national, regional and local level however will have to occur in the context of a programme that is being delivered by multiple parties and across multiple areas simultaneously.

## Pilot proposals

We have identified four potential approaches to providing extra help to vulnerable households. These are not necessarily mutually exclusive, and we recommend the different approaches are piloted in a comparable manner to assist decision-making on what help is needed and how it is best delivered.

### Communication

#### 1. Independent engagement

**PROBLEM:** Consumers don't know what to expect from smart meters and how theirs can help them cut their energy bills

**SOLUTION:** Information and advice on the use of smart meters is embedded in independent energy schemes, to help consumers before and after the installation of meters

#### 2. Smart Signposts

**PROBLEM:** Consumers don't know who can help them and fall between the gaps of different extra help schemes

**SOLUTION:** Each supplier has a single point of contact for consumers in vulnerable situations that will help them get assistance from a range of energy-saving schemes.

#### 3. Area-based installation

**PROBLEM:** The cost of a supplier-led rollout is £3 billion higher than that estimated for a co-ordinated area-based approach.

**SOLUTION:** The installation of smart meters is embedded in area-based energy efficiency and housing stock improvement schemes.

#### 4. Signposts & Savings

**PROBLEM:** Consumers don't know who can help them and fall between the gaps, and urgently need help with their energy bills

**SOLUTION:** Suppliers offer a dedicated service to help consumers in vulnerable situations, the installation of simple yet effective energy-saving measures, and assistance from other sources.

Community-based

Supplier-led

Installed measures

### 1. Independent engagement

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**A Smart Energy GB-led option that uses existing fuel poverty and energy advice schemes at a local and community level to support and engage vulnerable consumers before and after the installation visit. Smart Energy GB could support schemes through a small grants model, training and providing two 'toolkits' of messages and materials to be delivered pre and post-installation.**

#### Key benefits and opportunities

**Consumers:** This option was considered beneficial in terms of using local, trusted messengers to deliver extra help. It was pointed out that these established networks better understand the needs and preferences of consumers in vulnerable situations. An opportunity was identified to extend this form of extra help beyond the energy sector, including other third parties delivering in-home visits (for example home handypersons).

**Suppliers:** This option was considered deliverable within existing scope. That is, industry and government thought the model fitted with Smart Energy GB's current focus on coordinating outreach for the rollout. Suppliers also thought using local channels will help gain access to some properties, and more generally, tapping into existing resources on energy efficiency and fuel poverty represents value for money. Community and third sector stakeholders supported this model in as far as it would help to leave a legacy of informed front-line staff and volunteers on smart.

#### Key barriers and risks

**Consumers:** By relying on existing schemes stakeholders pointed out consumers may suffer from uneven, inconsistent and inadequate levels of extra help. In particular, the potential for mixed messaging and inaccurate or misleading advice.

To the extent Smart Energy GB is already planning and expected to deliver an outreach and partnership model, there may also be limited value in branding the assistance under this option 'extra help'. Overall, stakeholders suggested this model could complement but should not replace a supplier-led assistance scheme.

**Suppliers:** Some questions were raised about whether there would be sufficient schemes to deliver the tool-kits, in particular the post-installation toolkit through in-home energy advice visits. Mapping for this report suggests such advice schemes are relatively frequently used at a local level to reach consumers in vulnerable situations. A delivery barrier identified was coordinating the multiple parties involved under this option.

#### Costs and savings

Some level of financial assistance will be required to support community groups deliver outreach work for the rollout. This is expected to be paid for by larger suppliers from within Smart Energy GB's budget. For this option, Digital Outreach Ltd's budget for the switchover is a useful guide on the cost to deliver. Here, the organisation signed two contracts worth £6.6 million collectively to deliver its community outreach programme over five years (2008-2012).

## 2. Smart Signposts

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**A supplier-hosted dedicated extra help service for customers in vulnerable situations who receive a smart meter. The pathway is composed of four component measures:**

- 1. A dedicated team to process smart meter installations for vulnerable customers**
- 2. A free call number from landlines and mobiles to access the extra help team**
- 3. A single named point of contact service offered to vulnerable customers**
- 4. Assisted referral (that is not customer-led) into further sources of extra help at a supplier, national and local level.**

### **Key benefits and opportunities**

**Consumers:** A single point of contact service gives a personalised experience for consumers in vulnerable situations that could help them navigate the installation process and get further help with energy and bill-saving measures, such as ECO and Warm Homes Discount (WHD). As part of a joined-up approach, information collected as part of the installation appointment booking can be used to help inform aftercare and referrals.

**Suppliers:** Suppliers could deliver the service through their existing extra help units or up-skilling smart service staff. Many recognise the benefit of using the smart pathway and assisted referrals to streamline delivery of their social obligations and programmes (such as WHD and ECO).

**Third parties:** Assisted referrals could be made to third parties such as local authority and Scottish and Welsh Government energy assistance schemes and to help suppliers deliver extra help measures (such as a benefit check). Dependent on consumer agreement, such partnerships could later use smart meter data to inform and deliver energy and social care programmes.

### **Key barriers and risks**

**For consumers:** Consumers could feel overwhelmed by the range of offers. Extra help should result in a better experience and bill savings; it is not a way to deliver all social obligations.

**For suppliers:** Suppliers are not required to systematically link smart up with other energy-saving offers and prefer to focus on their principal responsibility to achieve annual installation targets.

**For third parties:** Partners will have limited capacity to handle an increase in referrals. Demand will have to be modelled and planned for in order to avoid creating false expectations.

### **Costs and savings**

Potential additional costs for this option were associated with retraining and up-sizing existing extra help teams and delivering the single point of contact service at scale. This requires further modelling.

This approach could reduce the substantial cost of identifying suitable and eligible households for the existing supplier-led and funded schemes ECO and WHD. It would involve:

- collecting information on a customer's property at the booking appointment and installation visit to assess the suitability of a house for ECO measures
- using that contact with a customer to assess their interest in, and suitability for, ECO, including whether they comply with ECO AW criteria.

### 3. Area-based installation

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**Suppliers join up their smart meter installations with area-based works schemes to coordinate and integrate the installation and energy efficiency experience for customers in vulnerable situations.**

#### Key benefits and opportunities

**Consumers:** The key benefit identified was access via a trusted provider to a package of measures (including a smart meter) in a joined-up and comprehensive energy service.

**Suppliers:** Some suppliers identified the benefit of this option in enabling a pathway to cost-effectively access and support customers in vulnerable situations who may otherwise be hard-to-reach on smart metering. Opportunities were identified for suppliers and area-based schemes to coordinate to help to deliver this option. In particular:

- where suppliers outsourcing a component of their meter installs may drive cross-supplier cooperation
- where an area-based focus is adopted by default, based on customer density models
- cross-supplier cooperation and community involvement makes sense for particular property types, for example blocks of flats
- where linking up a smart meter to an area-based scheme in the tail-end of the programme may help gain access to 'hard-to-reach' households
- where linking up a suppliers CSCO and smart obligations could help install meters in deprived areas.

Finally, stakeholders in government and industry identified a central coordination role for Smart Energy GB to help deliver this option.

#### Key barriers and risks

**Consumers:** The key risk identified for consumers was consumers in vulnerable situations not assisted through area-based schemes missing out under this option. It was therefore recommended that this option be dovetailed with an extra help pathway accessible and deliverable at a household level.

**Suppliers:** Operational hurdles were identified to delivering this approach. First, the current absence of a mechanism to link area-based schemes up to the smart meter programme and coordinate the parties (schemes providers, suppliers). Where Smart Energy GB could play a coordination role it was pointed out its current focus is on outreach only, although there is scope under its licence conditions to facilitate cost-effective installation visits. Second, there is no mechanism under the rollout, regulatory or otherwise to support and incentivise cross-supplier cooperation. This was identified as a key barrier and risk to delivery of this option. Because even where some level of cooperation may be cost efficient, suppliers are not naturally inclined to work together under a competitive rollout model.

### Costs and savings

This option has the potential to reduce the cost of install for suppliers, in particular the cost associated with failed visits. One figure quoted by industry puts the cost of abortive calls at approximately £68. Assuming a 16 per cent abort rate for 30 million domestic properties (not accounting for two visits that may be required for non-dual fuel premises) this equates to £326.4 million in abortive visit costs. This option can help reduce this cost in two key areas:

1. Limited costs incurred from failed visits where an area-based street-by-street approach achieves savings when returning to missed properties
2. Increasing access rates. Through linking up with an area-based scheme provider that is trusted locally and has an on-the-ground presence suppliers will find often hard-to-reach vulnerable fuel poor households easier to reach to install a smart meter. This benefit could be measured through comparing abort rates under this approach with standard installations.

## 4. Signposts & savings

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**A supplier-hosted extra help service to assist customers in vulnerable situations who receive a smart meter (as per Smart Signposts) plus a package of easy-to-fit, low cost energy-efficiency measures. These measures could either be fitted by the smart meter installer during the smart meter installation visit or fitted during a post-installation, follow-up home visit. Follow-up visits could be coordinated by either Smart Energy GB or suppliers.**

### Key benefits and opportunities

**Consumers:** This approach not only provides a dedicated service through the installation process, it also sees measures installed and offers the opportunity to help the consumer make the most of their in-house display and the measures to save money on their energy bills. Without measures, or an understanding of basic tariffs such as Economy 7, consumers will find it difficult to take advantage of their new smart meter.

**For suppliers:** Suppliers currently receive no credit for additional measures, unless they are within the ECO framework.

### Key barriers and risks

**For consumers:** While easier for suppliers, delivery of measures in a separate visit could inconvenience a customer in a vulnerable situation who works and increase drop-off rates. Overall, it was emphasised an extra help pathway should be made as simple as possible for a customer in a vulnerable situation to access and understand.

**For suppliers:** The added cost, time and complexity of delivering energy efficiency measures and (potentially) follow-up home visits were overriding concerns. Funding sources were not obvious to many; and they tend to want the Smart Energy GB's role to remain limited to outreach and branding activities.

### Costs and savings

Total cost will depend on eligibility. NEA and Citizens Advice suggest eligibility for the package of measures should align with a fuel poverty proxy. Currently, for all tenure, this is the Cold Weather Payment (CWP) group.

If the low-cost package was offered to all CWP-eligible households, at a cost of £50 per property and assuming a take-up of 35 per cent the total estimated cost for the package would be £99.75 million. HM Treasury revenues from carbon levies and energy VAT, along with ECO and WHD, are identified as three funding streams that could help meet this cost.

### Low cost measures example

- Two reflector panels
- External door threshold draught proofing
- Hot water insulation jacket
- Standby off plug
- Setting existing heating controls (or referral for new ones)
- One check Economy 7 meter times

Mean annual cost saving: £80 - £200  
Mean payback period: 0.5 – 1.5 years  
Total cost (incl labour): £54.23  
Time to fit the measures: 2.8 hours

This would require a change in focus for ECO Affordable Warmth away from a focus on single-measure assistance, and consideration of how the WHD Industry Initiatives cap can align with smart metering support for fuel poor customers.

### Criteria for pilots

Citizens Advice is keen for the different approaches to be tested to see what offers the best outcome for consumers in vulnerable positions and the wider consumer base in terms of cost and efficiencies. It also wants to identify and understand more qualitative outcomes relating to the reputation and interest in smart meters among the target and related populations (e.g. friends and family). This will require programme management that is able to monitor and compare progress and effectiveness.

#### Measuring success

##### Affordable?

- Cost of implementation
  - Business process development
  - Cost of delivery
  - Unit costs
- Ability to leverage existing funding
- Potential impact on bills
  - Energy savings among participants
  - Potential policy cost
- Use and cost of incentives in the supply chain

##### Accessible?

- Customer satisfaction
- Gaps identified in provision for example due to criteria applied
- Optimal timeframe for the consumer journey
- Conversion rate among targeted consumers
  - Including rationale for uptake rate
- Different approaches in Scotland and Wales

##### Safe?

- Process for condemned appliances
- Customers know where to seek help
- Preferred messengers
- Trust and confidence in Smart Energy GB provided messages

##### Fair?

- Cost and carbon savings in comparison to the national average
- Successful referral to existing 'vulnerable' programmes
- Effectiveness of reaching consumers, including potential application of data-matching techniques.
- Putting SMiCoP definition of vulnerability into practice

### Next steps

This research is only a start. More needs to be done, with industry and government in particular, to develop an understanding of the impact of our proposed options on consumers and the smart meter programme as a whole. With this in mind, Citizens Advice looks forward to working with the Department of Energy and Climate Change (DECC), Ofgem, the Scottish and Welsh Governments, industry and third parties on taking this research forward.

We intend to hold a roundtable with these key parties in 2014 to set out our recommendations and engage stakeholders.

## Aims and principles

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.

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.

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