Consultation Response
11th November 2019

Delivering a smart system
Consultation on a Smart Meter Policy Framework post-2020

The Energy and Utilities Alliance (EUA) is a trade association which provides a leading industry voice helping shape the future policy direction within the sector. Using its wealth of expertise and over 100 years of experience, it acts to further the best interests of its members and the wider community in working towards a sustainable, energy secure and efficient future. EUA has eight organisational divisions – Utility Networks, the Heating and Hotwater Industry Council (HHIC), the Industrial & Commercial Energy Association (ICOM), the Hot Water Association (HWA), the Manufacturers' Association of Radiators and Convectors (MARC) and the Gas Vehicles Network (GVN).

The Energy and Utilities Alliance (EUA) is a company limited by guarantee and registered in England. Company number: 10461234, VAT number: 254 3805 07, registered address: Camden House, 201 Warwick Road, Kenilworth, Warwickshire, CV8 1TH.

EUA remains fully committed and supportive of the smart meter rollout given the extensive benefits that it is delivering for consumers, suppliers and our wider energy system. We welcome this consultation which is taking stock of how far we have come and establishing how the rollout should move forward beyond 2020. We believe that it is imperative for the policy framework which supports the rollout to adapt and evolve as it progresses so we are supportive of many of the proposals set out in this consultation document. A significant amount of work has been completed to-date with ~one quarter of the expected volumes now completed. Overall, we feel that it is vital for consumers to have confidence in the rollout and the technology being installed in their homes; this can be achieved through a balanced roll-out which includes taking time to address concerns around the overall ecosystem to ensure interoperability and stability is achieved and therefore giving consumers, suppliers and system operators information which is genuinely useful to them.

1. Do you agree that there is a need for an overarching obligation for energy suppliers to continue the rollout of smart meters, in addition to the New and Replacement Obligation (NRO)? *Please give reasons for your answer.*

EUA believes that there will be an advantage to there being an overarching obligation for all energy suppliers (both large and small Suppliers) to continue the roll out of smart meters. We believe this provides clear targets for all suppliers which allow clear plans and associated monitoring to be built around it. It also continues to assert the benefits of smart metering, such as their potential to save energy, and their role in preparing the country for a smart systems and grids, which will be essential in our quest to reach net zero by 2050.

We recognise the complexity of the ecosystem and therefore the previous targets have been hard to meet, however it is essential that suppliers continue to deliver the smart meter roll out and are provided a challenging but realistic target of 2024, but note the caveats outlined later.

2. **Do you agree with our conclusion that extending the existing "ARS" obligation would not deliver market-wide rollout in a timely manner consistent with wider Government objectives, in particular the long-term ambition of net zero greenhouse gas emissions by 2050?**

We do not agree with the proposition. Based on current policy and commitments suppliers have invested significant resources in to meeting the targets. For example, significant staffing levels, money and logistics, etc. are in place and delivering significant benefits notwithstanding the constraints which have been in place (with some still there), therefore suppliers are not looking to 'take their foot off the gas'. Further complicating the 'ARS' policy could confuse things.

3. **The obligation proposes a monitoring framework with binding pre-set annual milestones for four years (from 2021 to 2024). Do you agree with this time period? If not, we would welcome your views on alternative time periods.** *Please provide evidence to support your answer.*

We remain concerned that the targets proposed within time period are challenging to meet, but think the framework should be maintained in order to preserve an incentive regime to encourage all suppliers (including small suppliers) to meet those targets. However, any targets must be balanced against the actual and potential constraints which needs to be recognised. These constraints include (this is not definitive list) assumptions around overall ecosystem stability, the delivery timescales for Alt Han, delivery and stability of sub GHz devices and further improvements within customer perception in order to encourage all to have a smart meter.

4. **Do you agree with our assessment that an 85% minimum coverage at the end of the framework period is achievable?** *Please provide evidence to support your answer.*

We believe the target is extremely ambitious and must take account of the points made above (in Q3 around the constraints). That noted, provided there are mechanisms in place in order to provide a review and associated feedback process which can monitor that progress in a balanced way, then the framework could be supported.

5. **Do you agree with the application of permitted tolerance in stages, growing in a straight line to the final year of the monitoring framework? We would welcome your views on alternative methods to apply tolerance around the annual milestones.** *Please support your answer with relevant information.*

We agree there has to be tolerances to allow for the issues in the technology to be rectified and the planned developments to increase accessibility to be delivered. We would assume if the technology is stable it can cover the whole country. Therefore, we agree with BEIS that this is the right approach.

6. **Do you agree that pre-defined annual milestones will facilitate the progress towards rollout completion?** *Please give reasons for your answer.*

We agree that the pre-defined annual milestones will facilitate the progress towards rollout completion as they provide a more granular milestone to work toward, rather than just an overall target. This should also help to identify good progress and therefore potentially best practice and allow BEIS to facilitate and allow lessons to be learnt.

7. Do you agree with the proposal that "customer churn" – arising from consumers switching energy suppliers- should be accounted in energy suppliers' pre-set annual milestones? *Please give reasons for your answer.*

Yes, we feel that it is very important for milestones to take account of shifts in the market. As we are seeing on a regular basis, the retail energy market is moving far quicker than it was a decade ago. New suppliers are challenging the position of the larger suppliers in a significant way but are also merging and disappearing from the market at a rapid rate. If all energy suppliers are going to be expected to comply with obligation relating to the rollout, then it will be vital for milestones to take account of changes in the market share of suppliers which arise from consumers switching suppliers.

8. Do you agree with the proposal that any post 2020 obligation should be applied to all energy suppliers regardless of size and date of entry into the market? *Please give reasons for your answer.*

We agree that all consumers, regardless of the size and/or age of their energy supplier, should be able to expect a basic level of service and we also feel as Enrolment and Adoption of SMETS1 continues, an interoperable smart meter should form part of this service. Given that there are relatively high upfront costs associated with connecting to the DCC and any associated testing needed, small energy suppliers may need an element of extra support in order to offer their consumers a smart metering experience but we do agree that they should be expected to do so via a market-wide supplier obligation.

9. Do you agree with the proposal of a mid-point review to revisit tolerance levels within the monitoring framework period in line with market conditions?
    a. If the answer is yes, when do you think will be the best time for this review? If the answer is no, please explain why not.

It is acknowledged that the rollout is continuing and the volumes of SMETS2 meters which are being installed continue to grow, notwithstanding a number of constraints which are still inherent within the ecosystem. There are also a number of further enhancements still planned to be delivered (sub GHz devices, Alt Han, meter variants) which are essential if the targets are to be met. Also, there will be a volume of consumers who will remain resistant to embracing the new metering technology and refuse to have them installed. Therefore, there needs to be a realistic review of both the targets and the end date late 2022 towards early 2023.

10. Do you agree that the legal drafting in Annex 1 implements the policy intention proposed in this consultation? *Please give reasons for your answer.*

We have no comments to make on this question.

11. Do you agree with the legal drafting in Annex 2 in relation to the post 2020 reporting requirements on rollout information to be provided to the Secretary of State? *Please give reasons for your answer.*

We have no comments to make on this question.

12. **Do you agree with the legal drafting in Annex 6 setting out proposed consequential changes to existing licence conditions as a result of the previous amendments?** *Please give reasons for your answer.*

We have no comments to make on this question.

13. **Do you agree with the proposed changes to DCC charging arrangements in the period after end-2020?** *Please give reasons for your answer.*

We have no comments to make on this question.

14. **Do you agree that the legal drafting in Annex 3 implements the policy intention?** *Please give reasons for your answer.*

We have no comments to make on this question.

15. **What types of co-ordinated consumer engagement activities are necessary in the period after 2020 to support delivery of a market-wide rollout?** *Please provide your rationale to support your suggestions.*

We believe that it is important for Smart Energy GB, as the public facing front of the rollout to ensure it does not gloss over the issues that the rollout has faced. There has been a predominantly hostile press response to the rollout thus far which has instilled a negative impression of it in the minds of many consumers. Furthermore, a number of negative misconceptions around issues which have been resolved appear to be persisting and damaging confidence in the rollout; if they were addressed head on, they could be dispelled.

We would like to see Smart Energy GB propagating positive stories about the rollout, both in terms of how smart meters can empower consumers and give them greater choice over renewable energy products in their home as these are developed further by energy suppliers, and also in terms of how it is benefitting the wider energy system and enabling a smart, flexible grid. We feel that more joint campaigns with organisation that have strong links with more 'difficult to reach' groups, such as Age UK, could also be beneficial.

16. **What policy amendments or new initiatives you consider will be required to ensure that the consumer benefits of smart metering are sustained?** *Please provide evidence to support your views.*

We believe that a key challenge to ensuring the full benefits of smart meters for the energy sector (including the consumers) can only be realised with the proliferation of smart meters which will enable smart grids to become effective, supported by smart time of use tariffs. This will need to be supported by policies and incentives for further development of micro-generation and storage which can be utilised to balance and support green generation.

17. What other policy measures should the Government consider in order to complement the proposed market-wide rollout obligation? *Please give a rationale and evidence to support your suggestions.*

We believe that a key enabler for ensuring the full benefits of smart meters for consumers can be realised will be around the proliferation of smart domestic appliances (to support smart time of use tariffs). It will be vital for the large appliance manufacturers to be brought on board with the vision of smart connected homes as soon as possible.

We believe that establishing common, or interoperable, communication protocols and smart home systems will be vital to widespread adoption of smart appliances which can realise the benefits of a smart energy system. The Government could play a role here by ensuring that the smart home market does not become so fragmented as to form a barrier to consumer acceptance and the rapid uptake which will be needed to progress developments such as grid balancing and time of use tariffs.