

GETTING SMARTER - MAKING THE ROLL-OUT WORK FOR CONSUMERS

Energy
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CAMPAIGN BRIEFING



SMART METERS

Over the next ten years smart meters will be installed in every UK home¹. Which? welcomes the benefits they will bring in helping consumers engage and understand their energy use. But we are very concerned by the potential risks to consumers, who are likely to foot the entire £8.6billion bill when energy suppliers will save over £6billion in costs.

Making the roll-out work for consumers

Which? wants six key actions to be fulfilled to ensure the roll-out will work for consumers, not just the energy industry:

- > **Prevent** the costs of the roll-out hitting consumers' pockets;
- > Introduce a **mandatory code of conduct** for the roll-out that ensures suppliers provide a good experience for consumers;
- > **Safeguard consumers' energy data** from abuse by giving consumers real and full control of their smart metering data and ensuring it is properly protected;
- > **Develop minimum standards** for smart meters to guarantee benefits for consumers;
- > Ensure suppliers provide **energy monitors** with each smart meter installation;
- > Give consumers the **information** they need to use smart meters to cut their energy bills and carbon emissions.

Industry benefits vs. Consumers costs?

Smart meters will deliver huge, concrete and continuing cost savings to energy suppliers, yet currently Ofgem and DECC believe that consumers should foot the bill for the roll-out² via their energy bills.

Energy suppliers argue that the costs of the roll-out will be kept low as they compete with each other for customers. However, in practice the UK market is dominated by six companies (which perform worse in terms of customer satisfaction than any other market Which? surveys³) and Ofgem has highlighted a number of areas where rivalry between energy suppliers has failed to deliver the benefits expected of effective competition. Therefore it

¹ Smart meters are 'smart' because they are able to communicate with suppliers by sending and receiving information remotely. They will stop the need for meter readings and bring an end to estimated and inaccurate bills: clear benefits to consumers. However, smart meters do not provide consumers with new real-time information (this is provided via an in house display unit), and cannot be relied upon to deliver energy and cost savings.

² Government estimates suggest that industry will save £12.20 for every house while consumers only save 38pence. Overall projections suggest suppliers will save £6billion in the next 20 years while consumers save just £194million. This figure is drawn from the Government's consultation 'Towards a smarter future'. However, Which? has amended the savings figure for consumers to £194million removing cost savings that were based on assumed behavioural change.

³ Which? survey October 2009



cannot be assumed that savings from smart meters will be passed on to consumers.

A one-off roll-out must get it right first time

Smart meters present significant risks for consumers and with a single roll-out there is only one chance to ensure these risks are minimised. As a result, Which? wants a mandatory code of conduct that all suppliers have to follow when installing smart meters. This will provide protections that stop the costs from being passed on to consumers, make the installation as smooth as possible and ban inappropriate marketing at point of installation.

Protecting consumers from data abuse

Smart meters will enable energy companies to collect huge amounts of data from their customers. This poses new risks such as data being used to market products and services without consumers' consent. Therefore Which? is calling for consumers to have real and full control of their smart metering data and for it to be properly protected.

Smart meters for all occasions

Consumers need to feel confident that whichever supplier installs the smart meter it has a basic level of functionality that means they can easily switch between tariffs and suppliers. Minimum standards for smart meters will address this concern and enable consumers to take full advantage of the potential that smart meters offer.

Seeing where the house uses its energy

Each household must be supplied with an energy monitor that provides real-time data on consumption and costs. Without these a smart meter will be just a box under the stairs, robbing consumers of the opportunity to use smart meters to improve their energy efficiency.

Knowing what to do

Consumers must receive detailed and independent information on practical ways to apply their energy use information. This will, for example, help those that want to change their consumption behaviour identify the most appropriate tariffs and make decisions about energy efficient products.

What happens next?

The first phase of the smart metering programme, led jointly by DECC and Ofgem, is now under way. It will define the scope and key principles guiding the specification of the roll-out and is due to be completed by summer 2010. It is vital that consumers are taken into account in this first phase to ensure that proper safeguards are in place and that they get as much benefit from smart meters as the industry.

Which? calls on the smart metering programme to deliver the following:

- > Stop the costs of the roll-out falling on to consumers;
- > Put in place a mandatory code of conduct to protect consumers;
- > Ensure safeguards are in place to protect consumer energy use data;
- > Introduce minimum standards for smart meters;
- > Make energy monitors part of the roll-out package;
- > Provide effective information to consumers.

Which? is an independent, not-for-profit consumer organisation with over 700,000 members. Entirely independent of government and industry, we actively campaign on behalf of consumers and are funded through the sale of our range of consumer magazines, online services and books. For further information please email john.punter@which.co.uk or telephone 020 7770 7742.