

Smart metering – consumer issues ERGEG Workshop

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Introduction

We support the roll out of smart metering as:

- a mechanism to end estimate and inaccurate billing, a major source of customer complaints
- a tool to help consumers better manage their energy consumption
- A way to bring environmental and social benefits to consumers & citizens
- If implemented well, in the long-term could have a downward pressure on costs especially prepayment meter tariffs

But

- Concerns that much of the debate to date has been industry driven & technically focussed
- Not enough emphasis given to the potential consumer experience. Failure to put consumer issues at the heart of the decision making process could result in:
 - unnecessary detriment to consumers
 - lack of engagement & buy-in from householders
 - missed opportunities

Smart metering – consumer concerns

A. Financial Risk

Smart meter roll out will entail considerable cost. Consumers should not be asked to write a blank cheque for smart meters.

If costs are passed on to consumers **transparent mechanisms** must be put in place to ensure:

- Costs are fairly and proportionately borne
- Consumers are paying for efficient costs – that smart meters are value for money
- Steps are taken to protect low income consumers, especially when it is unclear if they will reap the same benefits from new technology e.g. In terms of energy savings

This is a particular challenge in Members States where a competitive roll out is selected

Smart metering – consumer concerns

B. Challenges posed by new smart functionality

1. Fears over misuse of remote disconnection
2. Concerns over misuse of remote switching of payment method & supplier e.g. switching low income consumers to PAYG to limit debt risk without their consent
3. Unknown how real-time information will impact on vulnerable consumers' levels of self-disconnection and self-rationing
4. Data protection and privacy issues – including customer profiling. Balance between individual privacy and sharing of data to deliver wider environmental and social goals needs to be established
5. Remote automation. What is the balance between individual choice versus need to deliver societal benefits e.g. Load management & carbon reduction?

Smart metering – consumer concerns

C. Changes to the energy retail market

Smart metering has the potential to radically change the energy retail market & regulators must be prepared for the consumer implications of this:

- An increase in complex tariffs e.g. time of use tariffs, seasonal tariffs & energy services packages which have the potential to lead to greater customer confusion - hindering effective switching decisions
- Rise in long-term contracts e.g. due to growth in energy services packages or contracts designed to recoup the cost of smart in-home gadgets
- Potential lock-in of consumers due to lack of compatibility of technologies & entrenchment of position of incumbent suppliers with a negative impact on competition
- Time of use tariffs could adversely impact consumers especially those in certain social groups e.g. working low income households who are forced to use energy at peak times and have little discretionary load

Smart meters – consumer concerns

D. Failure to capitalise on opportunities to bring benefits to consumers & society as no market drivers

- Opportunity to revolutionise the pay as you go (PAYG) market if the right functionality is selected - bring down costs, increase availability and ease of PAYG tariffs.
- Social benefits e.g. opportunity to deliver new tele-care services to help vulnerable and low income consumers; potential to identify and target assistance more quickly at those in need; introduction of trickle meters as an alternative to disconnection for those in financial difficulty.
- Consumer reductions in energy use & carbon not realised due to a lack of:
 - high quality separate real time display
 - lack of coordinated roll-out with support services to help consumers change behaviour & reduce energy consumption
 - coordinated communications strategy which places smart meters within context of the wider challenges of carbon reduction and security of supply

Action needed by Governments & regulators

“Member States shall take appropriate measures to protect final customers, and shall in particular, ensure that there are adequate safeguards to protect vulnerable consumers”

Directive 2009/72/EC - Chapter II. Article 3. Para 7.

Consumer protections – action needed

1. Member States should carry out not only a cost-benefit analysis but also a comprehensive assessment of the wider consumer risks & opportunities resulting from smart metering in their particular market context.

A consumer strategy should be developed. This should include:

- a) Timetable to review existing consumer protections including around remote disconnection & switching of consumers, data protection, privacy & security, billing information, sales & marketing practices, likely new tariff offerings.
- b) Development of a comprehensive consumer engagement & roll out strategy to maximise the benefits for consumers & citizens.
- c) Identification of opportunities to bring benefits to low income & vulnerable consumers
- d) Evidence of research and a proactive thinking to anticipate changes to the market as a result of smart metering, not relying on a reactive approach as problems emerge.
- e) Strategy to monitor quality of roll-out and company practices. Build in ongoing review into the process.

Consumer protections – action needed

2. Ensuring value for money

Steps taken to protect all consumers, including those on low incomes from the financial risk & impact of smart meter roll-out. This should include development of transparent mechanism to ensure that:

- i) overall costs of roll out are efficiently & reasonably incurred
- ii) high customer service & retail practices prior to, during & after roll-out
- iii) Costs and benefits are fairly and proportionately borne between suppliers, network operators, government/tax payers & energy consumers

There must be a clear consumer proposition so that smart meters are seen as value for money, not simply an excuse to increase energy prices.

Smart metering – consumer concerns

“Member States shall ensure the implementation of intelligent metering systems that shall assist the active participation of consumers in the electricity supply market”

Directive 2009/72/EC - Annex I. L 211/91

Improving consumer choice & engagement in the market:

To deliver this in the smart metering context the following are needed:

3. Ensure every consumer can access their own historic consumption data for free & in a common format that they can easily use to compare offerings/upload onto switching websites to find the best deal. Consumers should have the choice to share this data for free with whomever they decide.
4. Clear information and empowerment tools must be available to help consumers navigate an increasingly complex market.
5. Open standards to limit compatibility problems
6. Close monitoring of company practices prior to and during roll out e.g. sales, marketing and contract length.

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Reminders

1. Consumer issues must be central to the whole design, decision making and implementation process
2. Roll out must be done *with* consumers, not *to* consumers
3. Sharing best practice is needed between Member States & internationally to ensure mistakes aren't replicated and lessons are learnt
4. Greater role than identified is needed for regulators to protect consumers & ensure they can engage effectively in a smart energy retail market.

Experience shows that competition will not always deliver, particularly in the case of protecting low income & vulnerable consumers & in terms of energy & carbon reduction.

5. We all have a responsibility to ensure that roll out of smart metering is a success for consumers.