Citizens Advice Response to the DCC's Consultation on proposed changes to the DCC Plan for Release 1.3

citizens advice

Introduction

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. Since 1 April 2014, Citizens Advice service took on the powers of Consumer Futures to become the statutory representative for energy consumers across Great Britain.

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.

The Citizens Advice service is a network of nearly 400 independent advice centres that provide free, impartial advice from more than 3,500 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups. In 2012/13 the Citizens Advice service in England and Wales advised 2.3 million people on 6.6 million problems.

Since April 2012 we have also operated the Citizens Advice Consumer Service, formerly run as Consumer Direct by the OFT. This telephone helpline covers Great Britain and provides free, confidential and impartial advice on all consumer issues.

In the last four quarters Citizens Advice Bureaux have dealt with 84,000 enquiries about fuel debt, while hits to the energy section of our website doubled in October and November, the period during which suppliers announced their price increases last year. Calls to the Citizens Advice Consumer Helpline seeking advice about energy doubled in the same period.

Consultation Response

A significant portion of the government identified benefits of smart meters are due to be accrued through increased consumer understanding of and engagement with their energy usage leading to reductions in consumer energy bills. Consumers will also ultimately bear the costs of the smart meter rollout through their energy bills and as such it is vital that the net benefits of smart to consumers are maximised.

One of our consistent concerns with regard to the smart meter rollout has always been that the requirement for all homes to have been offered smart meters by the end of 2020 risks disincentivising suppliers from focussing on quality consumer experience and achieving value for money on the rollout. It has already been identified by DECC that supplier readiness in terms of customer journey and post installation support are somewhat less developed than for other areas. The existing 2020 deadline, combined with the proposed delay of Release 1.3, and likely delay of Release 1.2 (the latter of which is a proxy for 'Go Live' for the purposes of many industry obligations) could create pressure on suppliers to get meters on walls, rather than focus on consumer experience, and this has the potential to increase the chances of consumers having a poor experience and not realising the benefits of smart.

The delay to Release 1.3 particularly disadvantages prepayment customers who, as has been well documented, generally receive a poorer service from energy suppliers at a greater cost than their credit counterparts, despite such households generally being more likely to suffer from fuel poverty. It is hoped that smart meters will transform the prepay experience, dramatically reducing tariff costs and offering consumers far more convenient methods to top up their meter than those currently available. The proposed delay represents yet another setback for this already poorly served group, who will receive interoperable meters later as a result.

The proposed delay is also likely to result in an increase in installed SMETS1 meters as suppliers seek to ensure that they are still able to meet the 2020 deadline. SMETS1 meters do not offer consumers as much functionality as forthcoming SMETS2 meters and will not be able to enroll in the DCC at least in the near term, meaning SMETS1 consumers risk losing functionality upon switching - a major barrier to that activity.

Beyond these functionality concerns the 2014 impact assessment identified two likely sources of additional cost during the foundation stage where SMETS1 meters are installed rather than SMETS2:

- £150 million of additional communication costs as these meters do not use the DCC
    - There is a cost to integrating early smart meters into the national smart metering system, whether this is the cost of later integration or the cost of a duplicate communications system.
    - 30% uplift to communications operational expenses
- £60 million of 'risk uplifts'[1] from lack of interoperability
    - Equipment used by different suppliers may not be able to communicate with each other where HAN standards were not available so not applied. This risks costs when changing supplier, or where households in receipt of meters get their gas and electricity from different suppliers.
    - 5% uplift to installation cost and capital expenditure on communications, meters and in-home displays.

As such any decisions likely to increase the rate of SMETS1 installations are of concern with regard to both the value for money and quality of experience for consumers.

This said we understand the significant reputational and wider risks of key smart metering infrastructure such as the DCC being implemented before there is complete confidence that it will work. Most important is that this infrastructure works as has been promised and consumers are able to use a robust and reliable service from when their meters first begin using it.

On this basis we support the proposed delay but with firm caveats that close attention will need to be paid to the issues raised above - especially with regard to the pressures generated through the combination of this decision and the existing 2020 deadline. These issues will need to be considered beyond the DCC by the Government and the new Department for Business Energy and Industrial Strategy.

[1] DECC (2012) Smart Metering Implementation Progamme: information requirements for monitoring and evaluation, https://www.gov.uk/government/consultations/smart-metering-implementation-programme-information-requirements-for-monitoring-and-evaluation