



Smarter communications

strengthening consumer
engagement on smart meters

The government requires energy suppliers to deliver smart electricity and gas meters to every home in the country by the end of 2019. The aim of the programme is to help both households and energy suppliers to manage the use of energy more efficiently.

The roll-out of smart meters will be a large and complex change programme with the potential to bring significant benefits to consumers, businesses and the UK's energy infrastructure. However, its success is fully dependent on consumers' response to the roll-out. They need to accept meters and act to reduce energy use in response to the information and services they provide or enable.

In April 2012 the government published a consultation paper, *The smart metering implementation programme consumer engagement strategy*.¹ Its core premise is that some elements of consumer engagement should be managed centrally to avoid message confusion and to ensure that key messengers and support services, such as charities and consumer groups, are activated. To this end, the government proposes setting up a central delivery body (CDB) to manage centralised messaging and advertising, to engage third parties and to help deliver cost effective energy savings.

These measures are a strong foundation to build on. This *policy insight* takes the government's proposals as a starting point and makes five recommendations aimed at making consumer engagement more effective and cost efficient. The recommendations have been developed over the course of a consultation with stakeholders. Some degree of consensus is evident around all of the recommendations, and this could be strengthened if explored further with stakeholders.

The five recommendations are for government to:

- establish a clear role for energy suppliers in the central delivery body's (CDB) governance;
- clarify the CDB's remit and its relative focus on installation versus reducing energy use;
- enable effective engagement with civil society stakeholders;
- engage regionally where possible to enhance results; and
- run 'smart town' pilots to test consumer engagement.

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The smart meter roll-out and the challenge of engaging consumers

The smart meter roll-out will be one of the largest and most complex technological and consumer change programmes the UK has seen. On the technological side it will entail almost complete replacement of the stock of ‘dumb’ electricity and gas meters across the country with new ‘smart’ versions. This will mean replacing around 53 million meters, in over 30 million households and businesses. The majority of these installations will take place within a five year timespan, representing a significant acceleration of a process that would normally take around 20 years. The anticipated benefits to consumers should be realised through:

- remote meter reading;
- an end to estimated bills;
- automatic notification to energy suppliers if there is a power supply disruption;
- ability to switch between payment options;
- cost savings through supplier efficiency savings;
- new products and services, such as more innovative tariffs;
- near real-time display of energy use (through an in home display unit).

The government anticipates that these changes will lead to reductions in home energy use, thereby creating savings on consumers’ energy bills. The Department of Energy and Climate Change’s (DECC) impact assessment estimates that the total cost of the roll-out programme will be £11.3 billion, with estimated net benefits to the UK of £7.2 billion. If consumers engage with the programme in line with its forecasts, households are predicted to see a net benefit by 2017. These predicted energy savings account for 40 per cent of the scheme’s business case, delivering £4.6 billion in benefits.²

The government has made energy suppliers responsible for offering smart meters to every household, as well as an in home display device, showing energy use in near real-time), and for taking all reasonable steps to complete the roll-out by 2019. Whilst some suppliers have chosen to start this process early, the majority of installations will take place from 2014 when the ‘mass roll-out’ begins.

Consumers’ response will be key to the success of the smart meter roll-out. Their co-operation will be central to achieving the anticipated installation of meters into 97 per cent of homes, eg they may need to take time off work to let an installer into their home. And, if the scheme is to bring about the expected energy reductions, consumers will need to respond to the information they receive from their smart meter and any associated services, amending their behaviour accordingly to reduce their energy use and bills. Otherwise, they will simply bear the cost of the roll-out through increased bills, without reaping its benefits. It is essential that they are helped to understand and genuinely benefit from the programme.

But the challenge of getting people to accept smart meters is not to be underestimated. Smart meter roll-outs in other countries, such as in the state of Victoria in Australia, the United States and the Netherlands, have been beset by problems. These have ranged from concerns over the alleged health impact of having a meter in the home; about privacy and how data will be shared; and about the impact on consumer bills. In the Netherlands, these concerns led the Dutch senate to reject a bill to mandate smart meters in every home.

In many cases poor consumer engagement has been the main problem. In California, the energy company PG&E acknowledged that many of the difficulties they experienced in their roll-out of smart meters were a result of positioning it as an ‘infrastructure’ rather than a consumer engagement programme.³ In May 2010, Helen Burt, senior vice president and chief customer officer at PG&E, said “This is not about statistics. . . I don’t believe we did a good job of seeing the world through the lens of the customer.”⁴

In Victoria, Australia, the roll-out began with “little demonstrable evidence” of engagement with consumers or representative groups.⁵ Consumer backlash was severe and led to the programme being halted after nine months. A state audit recommended that the

“DECC’s proposals need to be more robust if they are to achieve successful consumer engagement.”

state government should develop, appropriately resource and implement a stakeholder engagement plan.⁶

In the UK, there have already been a number of media articles criticising the roll-out and anti-smart meter websites have been established.⁷ Research by uSwitch has shown that over 80 per cent of people are not happy with their current knowledge of smart meters and over 40 per cent have misgivings about the amount of information smart meters will be able to tell them about their energy use. A quarter are concerned about how suppliers will use the information or simply find smart meters too ‘Big Brother’ for their liking.⁸

Moreover, energy companies, who suffer from very low trust ratings, will be leading the roll-out. A recent poll by Accenture found that only 16 per cent of people trusted them to deliver messages on energy efficiency.⁹ This lack of consumer trust, if not mitigated, is likely to have a serious effect on the success of the programme, particularly on the ability of energy suppliers to access homes to install smart meters. But installation alone is not the only challenge. There is also a need to change household energy using behaviour if the roll-out is to achieve its business case. Smart meters alone don’t save energy, people do.

The Public Accounts Committee recently reported that there was little evidence to show that people would reduce their energy use as a result of having smart meters and recommended that DECC should clearly set out how suppliers will be held accountable to achieve this.¹⁰ DECC’s consultation document acknowledges the barriers to securing consumer engagement, and Green Alliance’s report *Neither sermons nor silence: the case for national communications on energy* use further elaborates on them.¹¹ These barriers include the following: energy use is built into people’s way of life and social expectations; much energy use is habitual; emotions affect consumption patterns; there is a lack of energy literacy about the usage of different appliances; there is a lack of belief about the benefits of actions taken; and people are put off by the degree of hassle involved.

The *Empower demand* report, cited by the DECC consultation document, compared over 100 smart meter pilots, involving over 450,000 energy consumers. The central difference between success and failure of the scheme’s ability to deliver energy reductions was the extent to which the programme’s designers met consumer needs. The report’s conclusion was that success is directly dependent on consumer involvement and that solutions lie in using multi-faceted engagement with multiple interventions, delivered by different trusted parties.¹²

DECC’s proposals go some way to delivering this kind of approach but they need to be more robust if they are to achieve successful consumer engagement. We make five recommendations for how this could be achieved based on stakeholder consultation.

Developing the recommendations

With the support of SmartReach, Green Alliance ran a consultative process involving a range of stakeholders to identify ways of strengthening the consumer engagement strategy proposals. This involved:

- phone interviews with 12 stakeholders;
- a seminar in April 2012, attended by a cross-sectoral group of 14 stakeholders, including representatives from consumer groups, environmental groups and all six large energy suppliers;
- follow up calls and meetings;
- work with Digital UK to identify learning from the digital switchover;
- meetings with DECC officials specifically on our recommendations, as well as attending a range of DECC meetings on consumer engagement.

A list of all the stakeholders we consulted is given in the acknowledgments at the end of this publication.

Broad consensus was reached on some areas, and we reflect below where there is a large degree of consensus around a particular idea, or where opinions differ. Green Alliance

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has developed and refined many of the ideas further. The views are therefore Green Alliance’s own, informed by the views expressed by stakeholders throughout this process.

Recommendations for strengthening smart meter consumer engagement

These are five key ways in which the consumer engagement strategy on smart meters can be strengthened:

- establish a clear role for energy suppliers in the central delivery body’s (CDB) governance;
- clarify the CDB’s remit and its relative focus on installation vs reducing energy use;
- enable effective engagement with civil society stakeholders;
- engage regionally where possible to enhance results; and
- run ‘smart town’ pilots to test consumer engagement.

Establish a clear role for energy suppliers in CDB governance

The DECC consultation proposes that any central messaging and consumer engagement for the smart meter roll-out should be run by the CDB. This will be established and funded by the six largest energy suppliers as a not for profit body, with an independent board and an expert advisory panel. Whilst consumer groups and other stakeholders have the opportunity to sit on the CDB’s advisory board, current proposals do not include suppliers directly in its governance or oversight bodies. The proposals argue that energy suppliers’ low trust ratings could negatively affect consumer trust and confidence in the CDB.

Whilst this is a valid concern, some stakeholders argue that excluding suppliers from the governance of the CDB could have negative effects on the efficiency and effectiveness of consumer engagement. It will be hard to hold them to account for the delivery of the CDB’s objectives if they do not have a role. Related to this, some consumer advocates are concerned that a lack of involvement would enable suppliers to distance themselves from the roll-out if it does not go well. Involving suppliers would also increase the likelihood that they co-ordinate activity amongst themselves and with the CDB.

Most suppliers have extensive experience of marketing and communications strategies and have been involved in the detail of designing the smart meter roll-out for well over a decade. It would not make sense to lose the benefit of that expertise and experience in the final stages of the roll-out.

There is a broad consensus that suppliers should be given a formal role in the governance of the central delivery body. When considering the nature of this role, there was concern that giving suppliers prominence would lead them to dominate discussions within the CDB and that some could hamper activities they do not support, such as engaging households on energy efficiency. There is a balance to be struck: to give suppliers a role whilst ensuring they don’t hold too much power, which current proposals are correct to mitigate. This will require further consultation with stakeholders but, if suppliers are to be given a greater role, the objectives of the CDB need to be more prescriptive to ensure it achieves the outcomes that DECC wishes to see.

Recommendation:

Following further consultation with stakeholders, the government should facilitate supplier input into the governance of the CDB. One solution could be to create a supervisory board alongside the expert advisory panel. This could consist of representatives of the six large suppliers, a representative for the smaller suppliers, Ofgem, DECC and representatives of other technical partners.

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Clarify the CDB remit and its relative focus on installation vs reducing energy use

The CDB has three proposed primary objectives:

- to promote consumer awareness and understanding of the use of smart metering to deliver behaviour change and energy saving;
- to provide necessary extra support to vulnerable, low income and fuel poor consumers, to help them achieve benefits; and
- to build consumer support for the roll-out by building confidence in its benefits and providing reassurance on areas of concern.¹³

These objectives do not provide the CDB with sufficient clarity. DECC should also provide clear success criteria and key performance indicators (KPIs) to ensure that Ofgem can hold the CDB to account if it is not delivering. This will require the CDB and Ofgem to have sufficiently frequent feedback to enable improvements to be made.

We have concentrated on the first objective, as the relative degree to which the CDB, and any associated consumer engagement strategy, focuses on the different aspects of this objective is a key area of debate.

Stakeholders broadly agree that the CDB should build consumer awareness about the installation, purposes and features of the smart meter roll-out, and that it should have a strong media role in promoting the positive aspects of smart meters and rebutting negative claims. However, some energy suppliers disagree that it should also have a significant role in engaging consumers on reducing their energy use. They argue that the CDB should provide a ‘floor level’ of information on energy efficiency advice only or should stay away from it all together, as suppliers will fulfil the function of providing advice on reducing energy use via their one-to-one engagements with customers. Or they argue that a CDB focus on reducing energy use and behaviour change will confuse things by putting out multiple messages at the same time, rather than simply dealing with the installation of meters.

DECC acknowledges that “encouraging households to use less energy does not align with suppliers’ commercial interests and therefore checks and balances to reflect wider interests within any central delivery mechanism [will] be important.” If the consumer engagement strategy is to achieve its objective of delivering behaviour change and energy saving, the CDB will need to take responsibility for this aspect, as the suppliers lack a commercial incentive to do so.

Likewise, evidence does not support the claim that only one organisation should engage individuals in energy savings. In fact it suggests that multiple interventions from multiple partners will increase its effectiveness, as both the *Empower demand* report and an assessment of over 57 residential smart metering programmes found.¹⁴ A foundation of engagement from the CDB, and from its agents, will be an essential part of achieving behaviour change and will reinforce suppliers’ efforts.

To ensure there is an appropriate level of attention to the objectives of changing behaviour and reducing energy use, DECC should stand firm on the breadth of the remit it has proposed for the CDB and go further still. It should be far more prescriptive about what it would like to see the CDB doing and clarify what it means by this objective in practice. This could involve two core activities:

- carrying out research and tracking attitudes as to how to deliver effective behaviour change (the results of which should be shared with all suppliers); and
- implementing campaigns to encourage and support all consumers to reduce their energy use.

There are valid arguments about the sequencing of messages and about not confusing the practical need to install smart meters with the broader behaviour change effort.

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Acknowledging this in the way different aspects of consumer engagement are approached will help to build buy in among a wider group of stakeholders. If the CDB were to encourage the uptake of metering first, and subsequently engage consumers on behaviour change, there is likely to be wider stakeholder support for its dual remit.

Recommendation:

DECC should stand firm on its intention for the CDB’s remit to include communications about the installation of smart meters, as well as about energy use and broader behaviour change. To ensure that the latter gets sufficient attention, the first of the CDB’s proposed objectives should be further articulated to support energy reduction more effectively. This could include establishing the CDB’s role in actively supporting customers to reduce energy use for a set period of time beyond their meter installation (for one year, for example) and in carrying out research and sharing best practice on this subject. When acting on this recommendation, DECC should be mindful of the need to sequence the CDB’s activity.

Digital UK and the digital switchover programme

The smart meter roll-out is often compared to the digital switchover, the process of turning off the UK’s analogue TV signal and replacing it with a digital signal. Both programmes implement a major technological change that have an impact on consumers. Both affect every household in the country. Both programmes involve private companies fulfilling an objective defined by the government.

There are, of course, important differences. Whereas the digital switchover is being carried out on a region by region basis, with a clear deadline for completion in each area, smart meters will be rolled out on a national basis, by energy supply companies.

However, in respect of consumer engagement, there are important parallels and similarities. The switchover programme at the outset encountered many of the same challenges that currently face the smart meter programme. There was, for example, little evidence of consumer demand for a digital TV switchover. Concerns were expressed about whether vulnerable consumers would share fully in the benefits.

The level of engagement needed from consumers is even greater for smart meters than for the digital switchover, which required a single action on a particular date: retuning a television (or buying a new one), which consumers can undertake themselves. The smart meter programme requires them to give installers access to their homes, and its success depends on ongoing engagement and new energy use behaviours.

It follows that the depth and breadth of action that Digital UK facilitated should be seen as the minimum necessary to encourage consumer engagement with the smart meter roll-out.

With this in mind, we have used the work of Digital UK as a case study. This company has been created and funded by industry (the public service broadcasters and Arqiva) to lead the process of digital TV switchover in the UK. We have drawn out relevant, specific lessons for the smart meter roll-out.

Enable effective engagement with third sector stakeholders

As DECC acknowledges in its consultation document, the power of a message is in who communicates it: “although suppliers will have an important role in engagement, third parties such as charities, consumer groups, community organisations, local authorities, housing associations and friends and family can be more effective, credible messengers”.¹⁵

Recent Consumer Focus statistics show that no one group is trusted to deliver information about smart meters or energy saving by more than a third of the population.¹⁶

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Effectively harnessing the power of multiple trusted messengers is a major challenge for the smart meter roll-out and is essential to successful consumer engagement. In many cases, individuals will turn to civil society organisations for information, whether they have a formal role or not, so it is vital that they are informed and able to provide support.

The digital switchover provides some important learning in this regard. Digital UK dedicated significant resources to actively engaging civil society organisations in each of their broadcast regions. They supported them, financially and with training, to act as advocates of the switchover message using Digital UK branding and materials. These links were built well before communication with the general public in each region commenced and created an important network of volunteers supporting the programme. There were 400 stakeholder events in London alone and between 1,000 and 2,000 volunteers were recruited in each broadcast region. Using local networks and messengers was essential in creating a sense of momentum and visibility.

The importance of being able to mobilise civil society stakeholders is also supported by evidence in Green Alliance’s report *Neither sermons nor silence: the case for national communications on energy use*¹⁷ which examines six case study national change programmes. A key learning from all the examples is the value of civil society organisations as trusted messengers in building buy in to a campaign and the importance of engaging with local stakeholders in a co-ordinated fashion.

The smart meter roll-out could see six or more large suppliers, as well as up to ten smaller suppliers, simultaneously attempting to engage with the same organisations over a period of at least five years. Even large charities will struggle to respond to and maintain this, and it will be harder still for smaller organisations, who will often be more critical to success due to their greater reach into communities.

Many organisations will struggle to find the personnel or resources to support engagement with the smart meter roll-out, and the expectation that they can do so while managing relationships with multiple suppliers over a long period of time is unrealistic. Digital UK found that even their two programmes (the main communications programme and the help scheme) often overlapped while engaging with external stakeholders, causing inefficiencies and confusion.

There are also risks that stakeholders with significant influence over different sections of the population may not wish to get involved with the individual campaigns of energy companies, as they would effectively be endorsing a particular approach or offer. Discomfort around this is very evident in relation to the Green Deal. Green Alliance’s research has found that community groups would prefer to work with a central body rather than support a private company’s offer.¹⁸

To overcome both of these challenges it is essential that the CDB has a clear remit to facilitate and, as far as possible, to co-ordinate engagement with civil society stakeholders. Whilst DECC expects the CDB to take a central role, this is not currently included in the CDB’s proposed objectives. And the suppliers’ plans to undertake engagement themselves will run into the risks we highlight above. An explicit and central aspect of the CDB’s purpose should be to mitigate this and enable effective civil society engagement with the consumer strategy, and this should be made clear in its objectives.

Recommendation:

DECC should make supporting civil society stakeholder engagement a core part of the CDB’s remit, to ensure that it spends time engaging, training, co-ordinating and communicating with civil society partners and maximising their effectiveness in the smart meter roll-out.

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Capture the benefits of regional roll-out

It will be a significant challenge to achieve civil society engagement in a cost effective and efficient manner over the life of the roll-out. This can be overcome by the CDB undertaking some level of co-ordination between supplier activities on a geographical or community basis.

Broadly, stakeholders are mindful of the government’s decision to take a supplier-led approach to the roll-out, rather than a geographical one. But the communications strategy provides an opportunity to recapture some of the benefits that a geographical approach would have provided, without compromising a supplier-led roll-out. In addition to maximising the benefits of engagement with civil society organisations, and to avoid placing unrealistic expectations on them, such an approach could help to build a sense of momentum and visibility and enhance community level buy in to the roll-out, thereby increasing access rates and lowering costs.

A degree of geographical focus to the consumer engagement strategy would also create a sense of urgency in each area, which would help to overcome the consumer apathy that is likely to be prevalent due to the extended timescale of the roll-out. Frontier Economics has found that a geographical approach would deliver substantial savings where suppliers have outsourced their meter installations to the same third parties.¹⁹

The CDB could run a consumer engagement strategy that has some level of area-based co-ordination, focusing on certain areas at certain times. These could be decided through a form of ‘post plan’ co-ordination, looking at where the networks and suppliers will be operating at certain times and focusing communications on times when plans overlap in an area, or focusing on areas with a high density of vulnerable or hard-to-reach customers. This would also allow additional savings by joining up with existing and new programmes such as Warm Front and the new Energy Company Obligation.

Whilst energy suppliers are not keen to share their roll-out plans currently, their objections could be overcome if they only had to share their plans up to a limited timescale, for example one year ahead. The CDB would then identify overlaps and likely pockets of activity and decide where to focus its communications accordingly. Such an approach would allow messages to consumers to be sequenced effectively, moving from an initial focus on encouraging the acceptance of smart meters to energy saving.

Energy suppliers would not be required to align their activities with the CDB’s focus at any given time but it would be a missed opportunity for suppliers not to capitalise on the heightened awareness of smart meters that would be created. For those suppliers already planning a more geographical approach to their roll-out, there are evident advantages to some level of area based co-ordination of consumer engagement.

Recommendation:

DECC should explore a form of ‘post plan’ co-ordination, to allow the CDB to focus on specific areas at times that maximise overlaps between supplier’s roll-out plans. This would require the sharing of roll-out plans up to one year in advance. There would also need to be co-ordination between the CDB and technical providers, as they make plans to sequence the roll-out of the supporting infrastructure for smart meters on a community-by-community basis.

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Run a ‘smart town’ pilot to test consumer engagement

The *Empower demand* report suggested that media communications should be piloted at scale, along with data and technical communications services, to enable the honing of marketing and education messages and to help avoid future negative publicity.

The idea of a pilot town (or towns) to trial consumer engagement prior to the national roll-out was generated at our April 2012 seminar, via a comparison with the digital switchover and its use of a pilot town.

Digital UK ran a pilot in Copeland/Whitehaven, involving 26,000 homes, a full year before the switchover began nationally.²⁰ This tested the entire planned programme of activity on a limited scale. They were able to test which messages and engagement programmes worked and resonated before committing large resources to rolling them out nationally. The pilot enabled them to make significant improvements to the national programme and helped them to identify and avoid potential inefficiencies.

The concept of a smart town pilot is supported strongly by most stakeholders, including energy suppliers, and is now being actively pursued by DECC through the exploration of an ‘end-to-end community trial’. Stakeholders could see clear value in being able to trial consumer engagement plans, as well as the technological and data communications aspects, to improve services and trial how best to work with each other, in advance of the full scale roll-out in 2014. Any reservations stakeholders hold about the pilot come from concerns over logistics rather than the concept itself.

To date, the main trials involving more than one energy supplier have been the Low Carbon Network Fund trials. These have highlighted the difficulty of trialling one aspect of the roll-out at a time, as the intention to trial data services has been severely limited by the incredibly low access rates achieved. Only 2,000 meters have been installed in the London trial so far, out of 83,000 households contacted.

Comprehensive smart town pilots would overcome these issues, by trialling all aspects of the roll-out at once. From a consumer engagement point of view a pilot would enable collective testing of:

- CDB’s general awareness raising and customer support activity;
- CDB’s stakeholder engagement and alignment;
- outreach activity for those who might need more support;
- suppliers’ direct communications and support;
- supplier delivery, code of practice and complaint management;
- consumer uptake and attitudes;
- identification of consumer issues and concerns;
- equipment usability;
- follow up energy savings communications, perhaps two to three months after meter delivery; and
- the cost impact of a co-ordinated approach, eg the impact on access rates relative to alternative approaches.

In addition, it would enable testing where possible, within the timescale, of:

- the use of smart technologies;
- the trialling of the new data communications company (DCC);
- use of demand-side products and services and the smart grid,
- conversion of government properties, educational institutions, holiday and transitional dwellings;
- SME communications, uptake and behaviour;
- programme, project, issue and contingency management;
- equipment and data transmission operations.

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A pilot would help to build confidence in the process and the ultimate success of the roll-out programme and would ensure the consumer engagement programme can deliver. This will have a critical impact on the success of the smart meter roll-out as a whole. It would also bring about cost savings for suppliers and the CDB alike by offering the opportunity to test plans before national commissioning and by allowing a more effective consumer engagement operation from day one, thereby increasing the chance of a smoother, more successful roll-out.

Specific, measurable, achievable, realistic and time-bound (SMART) objectives need to be set for accurate success measurement. Once the pilot has taken place the shadow CDB should assess both these and the costs and benefits of this kind of approach on access rates and energy reduction, in comparison with individual supplier activity.

Timing

The best time to undertake a pilot to enable effective feedback on consumer engagement would be winter 2013. Winter is a more relevant time to engage people on energy saving, although it must be noted that the real roll-out will be all year round. A winter 2013 pilot would allow sufficient time to integrate lessons into the first draft of the CDB's consumer engagement plan, currently due in the first quarter of 2014. This would require a shadow CDB to be established to run a pilot by the end of 2012. The shadow team does not need to be large (the Digital UK pilot was run by six people) but it does need expertise.

Following the initial pilot, we support the idea of a controlled market start up, currently under discussion by officials, with three full pilots to be carried out in the three DCC regions prior to full-scale national roll-out. This would allow complete end-to-end testing when all systems are in place and would ensure that any teething problems were contained and managed. However, it must be noted that it would not be possible to harness the consumer engagement aspects of a trial if the controlled market start up proposition were the only pilot town trials. This is because there would not be time to learn from and realise the costs savings, efficiencies and benefits of co-ordination that a well-planned, timely pilot would offer at an earlier date.

Location

Criteria should be agreed amongst stakeholders, via the CDB, to help with the selection process for any pilot town or towns. It would also be useful to test the impact of dovetailing smart metering with community programmes. For example, local fuel poverty schemes or low carbon programmes. Considerations for the location of a smart meter pilot should include the following:

- mixed demographic (especially vulnerable people);
- mixed housing and SME stock;
- preferably all of the big six and smaller suppliers active in the area.

The presence of as many different suppliers as possible in the area is especially essential, as it will provide some sense of the different marketing materials that might be used, enable assessment of the impact on consumers of receiving multiple messages from different organisations, and test the impact that co-ordinated supplier installation can have on costs, public satisfaction and consumer engagement.

Funding

By way of a benchmark, the Digital UK pilot cost £1.7 million in total, of which £1 million was spent on the pilot Switchover Help Scheme, providing equipment to vulnerable people. The smart meter roll-out is unlikely to include anything along these lines, so the costs of a pilot is likely to be considerably less.

Ofcom spent £283,000, which covered funding a consumer tracker survey (£93,000) and evaluation by consultants. Digital UK spent a total of £428,000, of which £270,000 was to cover the cost of the team responsible for the overall management of the project and £158,000 was spent on communications and assistance.

As with the cost of setting up the CDB, the cost for running the pilot could be borne by the big six energy suppliers.

Recommendation:

A shadow CDB should be established by December 2012 to run at least one full pilot town in association with suppliers and the DCC. This pilot should be as wide in scope as possible to maximise learning and efficiency savings.

Conclusion

All stakeholders share the ambition for a successful smart meter roll-out and acknowledge that the consumer engagement strategy is an essential part of achieving this. The challenge is to find solutions that will result in the energy savings and behaviour change needed for the whole scheme to deliver its business case, whilst not requiring suppliers to share roll-out plans in a way that is too laborious or revealing of competitive details.

The way forward proposed here would achieve this, by ensuring that suppliers have sufficient input to, and accountability for, the CDB. Acting on these recommendations would ensure that engaging consumers on energy saving is a key part of the CDB's remit; that it is explicitly charged with engaging civil society organisations; that there is a regional focus to its consumer engagement; and, finally, that timely pilot schemes are used to test approaches.

Lastly, it is essential that any smart metering consumer engagement programme links with wider initiatives to promote the Green Deal and other demand reduction measures that will, in consumers' minds, be seen as covering similar areas. We have explored this in more detail in *Neither sermons nor silence: the case for national communications on energy use*.²¹

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- ¹⁸ Green Alliance, 2012, *Getting a good deal from the Green Deal: views from communities*, www.green-alliance.org.uk/grea_p.aspx?id=6228
- ¹⁹ Frontier Economics found that the unit cost of reading 'dumb' meters increases as the density of dumb meters in the market decreases. A geographically co-ordinated roll-out allows suppliers to reduce the extent of this problem, as, while smart meter installation is concentrated in one area, the density of 'dumb' meters in the other areas is maintained, allowing the minimisation of travel time. This results in assumed savings of £456 million. Installation cost savings are lower at £95 million, partly because we have not sought to additionally quantify the benefits associated with a dual fuel roll-out as part of this work. This is in: Frontier Economics, 2007, *Smart metering: a report prepared for Centrica*, www.frontier-economics.com/europe/en/publications/180/
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SmartReach believes that, for the smart metering programme to be successful, it is essential that consumers adopt and engage with the technology and appreciate how they can release the value.

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Green Alliance

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