

17 July 2023

Dame Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
London
SW1A 0AA

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Dear Dame Meg & members of the Public Accounts Committee,

COMPLETING THE SMART METER ROLLOUT

Centrica have followed with interest the Public Accounts Committee inquiry into the smart meter rollout. We are aware that the official window for written evidence to this inquiry has already closed however, following the oral evidence provided by Ofgem and the Department for Energy Security and Net Zero (DESNZ), we thought it might be helpful to provide additional information so that the Committee has a full account of the challenges faced in the rollout of smart meters.

Centrica has always been a strong advocate of the smart meter roll-out and we have installed over 10 million smart meters in the past decade, reflective of our commitment to the programme. We agree with the government that smart meters are a vital upgrade to our national energy infrastructure and a critical tool in modernising the way we all use energy, supporting the transformation of the retail energy market, and meeting our collective net-zero emissions ambition.

For consumers, smart meters provide visibility and control over their energy usage, showing in real-time how much energy they are using in pounds and pence. Smart meters also provide a superior customer journey, putting an end to estimated bills, or waiting at home for a meter reader as billing information is sent to the supplier automatically. Smart meters are a necessary precursor for offering customers a wider range of cost-saving energy efficiency products and services, underpinning a more flexible energy system.

As you will know, energy suppliers are legally obliged to meet bespoke annual individual minimum smart meter installation targets for domestic and small business customers. Nationally, at the end of December 2022, 55% of all UK meters were smart. Yet these are likely to be the easiest households to reach. Despite the industry's best efforts over the last 8 years, smart coverage is not at anticipated levels.

We agree with the verdict of Citizens Advice published recently that "it's time to revisit how we are delivering smart meter rollout, because the current approach isn't working and is reducing the benefits that consumers can receive from this technology... If we continue with this approach, smart meter rollout will never be completed." Citizens Advice suggest a move from the voluntary adoption of smart meters to a mandatory rollout.

We welcome that DESNZ intend to consult on requirements for ECO4 & ECO+ recipients to request a smart meter, for new homes to have smart meters from the outset, and "a potential requirement for installing a smart meter in cases of energy theft" but we do not believe these measures go far enough. We were concerned that DESNZ confirmed on 6th July that the smart meter rollout "programme will continue to use consumer acceptance, technical eligibility, operational fulfilment and installation capacity as the four main drivers of the rollout model".

Instead, we need a more systemic review of the overall policy framework and rollout model that genuinely addresses how we achieve near universal penetration of smart meters as soon as possible. If we fail to do so, government, industry and the regulator are likely to remain stuck in annual cycle of seeking to investigate why more meters were not installed.

We need policy makers and regulators to acknowledge that maintaining customer interest in smart is more difficult as the proportion of easy-to-reach customers reduces. And we need to see a move towards a mandatory rollout, with broader incentives and public awareness to overcome the real-world obstacles facing the smart meter roll-out.

Energy UK, Smart Energy GB and the suppliers they represent, including Centrica, have provided a suite of measures that could be deployed in partnership with government and Ofgem to improve the image of smart meters and encourage rollout for domestic and non-domestic customers. Examples include opt-out charges, rebates for customers who install smart meters and ensuring smart meters as a requirement for Government schemes, public-sector contracts and switching suppliers.

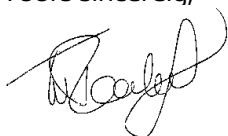
In addition to looking at the scheme systematically and reviewing the programme and its incentives, we would encourage more to be done to address wider public concerns over faults and technical issues, to promote the benefits of smart meters, and to communicate that they are not just desirable but necessary to future-proof all households and non-domestic properties. DESNZ's plan to develop and publish a new consumer-facing guarantee for energy suppliers is something we welcome and a positive step in the right direction and of course, Smart Energy GB and energy suppliers have the major role to play in these communications challenges. However, we believe government also have a key role to play in framing public expectations for smart meter rollout as the party with ultimate responsibility for the programme.

Framing longer-term expectations for the smart meter rollout is also vital to send the right signals across the labour market for the recruitment of more smart meter engineers, as well as for retaining the skills and expertise of already fully trained and optimally productive engineers seeking job security in this field. Centrica are therefore keen to work with DESNZ on the design of any framework required for the programme beyond 2025.

As the National Audit Office (NAO) concluded, "the decisions (DESNZ) takes now will determine the extent to which it can maximise value for money from the remainder of the Programme... Both sides need to work constructively together on the future of the rollout, including considering the merits of new incentives and regulations that increase take-up of smart meters." In the meantime, Centrica continue to invest in new functions and capabilities to enhance the service we provide to our smart meter customers and to provide them with more control over their energy consumption and to track the cost of their energy use.

I understand that the Public Accounts Committee deadline for accepting evidence on this Inquiry has passed but I hope this additional information is helpful for your inquiry.

Yours sincerely,



Tim Dewhurst
Director of Regulatory Affairs & Policy

CC: Public Accounts Committee Members

(Olivia Blake MP; Dan Carden MP; Rt Hon Sir Simon Clarke MP; Sir Geoffrey Clifton-Brown MP; Ashley Dalton MP; Gareth Davies MP; Mr Jonathan Djanogly MP; Flick Drummond MP; Rt Hon Mark Francois MP; Peter Grant MP; Ben Lake MP; Anne Marie Morris MP; Jill Mortimer MP; Sarah Olney MP; Nick Smith MP)