Department for
Energy Security
& Net Zero

Jeremy Pocklington CB
Permanent Secretary
55 Whitehall
London
SW1A 2HP
permanentsecretaries@energysecurity.gov.uk

Dame Meg Hillier
Chair of the Committee of Public Accounts
House of Commons
Palace of Westminster
Westminster
SW1A 0AA
By Email

22 March 2024

Dear Meg,

Thank you for your letter of 21 February 2024 regarding our response to the Committee report *Update on the rollout of smart meters* and the opportunity for the Department and Ofgem (in response to recommendation 4) to provide further information on the wide range of activities we are driving to make the rollout a success.

Recommendation 1
We accepted the Committee's recommendation because we agree that Smart Energy GB's (SEGB's) public engagement strategy needs to be reviewed, adapted and updated as the roll out progresses. In our view, it is essential that this review process is an ongoing rather than standalone one. This is why in establishing SEGB (an independent not for profit organisation, the requirements for which are set out in energy supplier licences), we ensured that there was in-built ongoing assessment of its activity, including learning from experience and independent scrutiny.

Ahead of the current four-year installation targets framework (2022 to 2025), we reviewed and implemented changes to SEGB's objectives and governance. These changes reflect the increasingly important role of local coordination in consumer engagement and ensure greater focus is placed on driving consumer acceptance of smart metering over awareness raising. Alongside this, we strengthened SEGB's governance to increase transparency and drive effective independent in-year scrutiny of their plans and performance. SEGB's Board is now made up of 6 Non-Executive Directors representing the interests of energy suppliers and 4 Non-Executive Directors representing consumer interests, with Citizens Advice, Ofgem and DESNZ as observers. SEGB's Board is made up of individuals with considerable marketing, PR and behaviour change expertise in and outside the energy sector. SEGB is required to submit its annual performance results to the Department and consults widely with all parties in developing its annual and multiyear consumer engagement and marketing plans. The Department works collaboratively with SEGB to ensure their work continues to support policy objectives and is informed by their and the Department's consumer research and evidence.

As mentioned in our response to the Committee, industry statistical analysis verified by an independent third party shows that more than 50% of smart meter installations are attributable to Smart Energy GB's activities. SEGB's media buy is also reviewed twice a year and has been consistently rated as 'excellent' in terms of value for money by Media

Sense. In terms of tailoring of messaging, SEGB's campaign activity is segmented and key messages about benefits are tailored according to evidence on what is most effective with particular groups of consumers. Since the Committee's report, Smart Energy GB has undertaken additional consumer attitudes research which has generated new evidence on shifts in consumer thinking on smart meters and more in-depth knowledge of those rejecting smart meters. SEGB have used this to review and optimise its 2024 engagement plans to best address concerns this audience may have and further target messaging and activity.

Recommendation 4
We believe the current regulatory approach to the roll out of smart metering engages consumers effectively and drives behaviour change. As requested, we set out further evidence to support this below.

Clear roles and responsibilities on consumer engagement were established from the outset. Energy suppliers have the lead engagement role on smart meters with their customers, supported by a national engagement campaign run by Smart Energy GB whose objectives are set out in energy supply licence conditions and require them to drive behaviour change and consumer acceptance of smart metering. There is strong evidence that the provision of near-real time information about consumption and cost through an In-Home Display drives consumer energy and bill savings. These benefits can be further enhanced when combined with tailored energy efficiency advice. This is why, to enable behaviour change, the department regulated to require energy suppliers to provide (and demonstrate how to use) an In-Home Display, as well as tailored energy efficiency to homes at the point of installation. Compliance against these requirements is monitored through energy supplier returns to the REC-owned Consolidated Metering Code of Practice (CoMCoP) survey, which are reported quarterly to RECCo, Ofgem and the Department.

Evidence shows this regulatory approach is working. As mentioned previously, industry-verified statistical analysis shows that more than 50% of smart meter installations are attributable to Smart Energy GB's activities. We provided evidence in our Treasury Minute response to recommendation 2 on the behaviour change impacts of the programme. For example, an independent evaluation of evidence on energy savings for households resulting from smart meters carried out by the Department's Behavioural Insights Team was published in Summer 2023. This identified savings of 3.4% for electricity consumption and 3.0% for gas, in line with the programme's assumptions of 3.0% and 2.2% for credit consumers.

It is also important to re-emphasise that when setting minimum annual installation targets, the department took account of the need for energy suppliers to engage their customers, by factoring in levels of consumer demand over time as smart meter penetration increases. So energy supplier targets take account of consumer demand and sentiment and do not require energy suppliers to convert every household or small business to smart metering in the period up to the end of 2025. Ofgem are responsible for the enforcement of minimum annual smart meter installation targets. Action was taken against six large suppliers for failure to achieve year 1 (2022) targets in line with enforcement guidelines. Based on industry operational data, indications are that this has had a positive impact on supplier performance with total installation activity in quarter 4 2023 higher than the same period in 2022 and with this positive impact continuing into 2024.

In developing the regulatory framework for the post 2025 period, we will continue to review the evidence on consumer engagement to ensure our overall approach maximises the effectiveness of the roll out and the realisation of benefits from the programme.

Recommendation 5c

The Department continues to work on future-proofing the smart metering technology. At the earliest stages of the Smart Metering Implementation Programme, we designed technology evolution into the system architecture by ensuring that all smart meters and comms hubs are remotely firmware upgradable and defining technical standards based on business requirements rather than specific technologies. In addition, the specifications themselves are designed to be updated (with industry agreement, via the Smart Energy Code). The Smart Meter technical specifications have been enhanced many times over the life of the programme, a number of which were to provide new functionality to meet developing requirements.

As the programme matures and evolves, we have been working with the DCC to ensure their continued focus on the longer-term technology strategy. This includes assessing communications options for and beyond the 2030s, and considering whether newer technologies could enable us to continue to reduce the number of customers who are unable to have smart meters (in areas where there is currently no Wide Area Network access). Our focus on this work has increased further since the NAO recommendation and PAC hearing.

I hope that the response provided here sufficiently addresses the questions you have raised as well as providing more detail on the comprehensive work the department is undertaking to address the inevitable challenges that come with the size and scale of the national infrastructure upgrade to smart metering across Great Britain.

I am copying this letter to Jonathan Brearley at Ofgem.

Yours sincerely,

Jeremy Pocklington

Jeremy Pocklington