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RE: Citizens Advice response to Ofgem's voluntary Request for Information to inform the Business Case of market-wide half-hourly settlement

Dear James

We are pleased to submit our response to Ofgem's voluntary Request for Information (RFI) to inform the Business Case for market-wide half-hourly settlement (HHS). We focus our response on two questions from the RFI around customer messaging and impacts on competition. Both of these areas have close dependencies with whatever data access rules Ofgem decides to put in place. We highlight below the benefits of consumers retaining control over who gets access to their half-hourly energy consumption data and what it can be used for.

We further welcome Ofgem's recent clarifications on the Business Case¹ and the decision to a) cover all consumers and all advanced and smart meters in this settlement reform and b) not take a "Big Bang" approach to the introduction of HHS.

4.0 Customer Messaging

Would suppliers need to take steps in order to inform or educate customers about these changes (i.e. settlement reform) and, if yes, why?

Yes it is important that consumers are informed and educated about changes to settlement, although the content of this communication will depend on which data access rules Ofgem put in place. Ofgem's recently published Options framework² for the Settlement Reform Business Case states that the approach to data access is yet to be decided.

Citizens Advice supports the status quo, i.e. consumers are able to choose the detail of usage data that their smart meter shares with their energy supplier - with daily reads serving as the effective default and the option to opt-out, down to a single monthly meter read, and explicit consent required for any collection more detailed than a daily read. This arrangement acknowledges the fact that HH energy usage data is personal information; a detailed profile of the energy consumption of a household could be used to determine information about their lifestyle.

¹ Project Objectives and Assessment Options for the market-wide half-hourly settlement Business Case (2017) Ofgem
https://www.ofgem.gov.uk/system/files/docs/2017/09/project_objectives_and_assessment_options_for_the_market-wide_half-hourly_settlement_business_case.pdf

² See footnote 1

If market-wide HHS was introduced under these data access conditions, suppliers would still need to write to their customers, informing them what HHS means in terms of what their HH data is used for and what opportunity this brings to them in terms of new products and services they can now access. Consumers will need reassurance that offers such as time-of-use (ToU) tariffs are optional. This information should be provided by their supplier, regardless of whether their suppliers offers a ToU tariff and other flexibility products and services or not.

We are supportive of Ofgem and BEIS' intention to consider alternative data access options and we would welcome proposals that facilitate HHS whilst respecting data privacy. But it is important to recognise that all the other data access options³ on the table would constitute a significant change to the smart metering privacy framework and licence conditions, and a curtailment of consumer control and choice. This will need to be communicated to consumers by their supplier.

It should be suppliers that proactively provide this information on settlement reform to their customers. But we also see value in other institutions, which are seen as being more neutral in the public eye, to also provide information on HHS and upcoming smart and flexibility products and services. Our insights, based on the daily advice we provide to consumers, show that know that consumers can be suspicious of information provided to them by suppliers. Therefore there is a role for Citizens Advice and other energy advice organisations to deliver information on HHS to consumers.

5.0 Impacts on competition

Would suppliers be incentivised to work with their customers to change their consumption behaviour? What is your view on how this would affect competition between suppliers/retailers?

In a future with market-wide HHS, there will be some incentives for suppliers to help their customers adjust their consumption behaviour but it will likely depend on how individual suppliers respond to them. Crucially, we think that these incentives will be greater if customers retain the power over who accesses their HH data for anything other than settlement, e.g to give them advice on energy consumption.

- *Customers with low energy use at peak time:* suppliers would be less incentivised to change these customers' consumption behaviour compared to customers with high peak-time consumption. If a supplier has a ToU tariff, it may encourage these consumers to take it up and thus save on their bills without behaviour adjustments.

³ As per Ofgem's Options framework, other options are: a) Half-hourly data is available for settlement purposes only, with an option for consumers to opt-out; b) Half-hourly data is available for settlement purposes only; c) Half-hourly data is available for settlement purposes only, following pseudonymisation or anonymisation

- *Customers with high energy use at peak time:* suppliers would be incentivised to offer these customers a ToU tariff that signals to move their consumption away from peak time. The recently announced “informed choices” principles⁴, should mean that suppliers will need to ensure the ToU tariff they recommend is appropriate to the consumer’s characteristics and preferences. Once on a ToU tariff, it will depend on the supplier how they continue to work with their customer to encourage changes to their consumption behaviour.

Besides offering a ToU tariff to influence a customer’s consumption behaviour, suppliers can offer other services such as bespoke energy saving advice. To deliver such advice, suppliers need access to HH energy consumption data. We believe the best way to incentivise suppliers or any other company to deliver useful services to consumers that make use of their HH data is by letting the consumer retain control over who accesses their HH energy usage data and in what detail.

For example, under the current privacy framework, a consumer could choose to share only a monthly meter read with their energy supplier but half-hourly or even near real-time data with a service provider offering something beneficial such as energy efficiency advice. The current model incentivises suppliers to compete to deliver better customer service and benefits. It also creates a level playing field between suppliers and energy service providers, which would be taken away if suppliers got automatic access to HH data and were allowed to use it for purposes other than settlement. The rollout of HHS to profile classes 5-8 could potentially serve as a source of insight into how suppliers have used this opportunity to work with their customers to change their consumption behaviour.

Yours sincerely

Victoria Pelka

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⁴ Helping consumers make informed choices (2017) Ofgem
https://www.ofgem.gov.uk/news-blog/our-blog/helping-consumers-make-informed-choices?utm_medium=email&utm_source=dotMailer&utm_campaign=Daily-Alert_27-07-2017&utm_content=Helping%20consumers%20make%20informed%20choices&dm_i=1OCB,52NFY,NZRSZN,JF3WF,1