BEAMA response to DELIVERING A SMART SYSTEM Consultation on a Smart Meter Policy Framework post 2020

BEAMA represents manufacturers of electrical infrastructure products and systems from transmission through distribution to the environmental systems and services in the built environment, with over 200 members ranging from SMEs to large multinationals.

SECTION 1: Post 2020 Framework Proposal

1. Do you agree that there is a need for an overarching obligation for energy suppliers to continue the rollout of smart meters, in addition to the New and Replacement Obligation (NRO)? Please give reasons for your answer.

Yes. BEAMA would be very concerned if energy retailers interpreted the end of the 'all reasonable steps' licence condition on 31 December 2020 as the end of their responsibility to roll out smart metering equipment throughout Great Britain.

The smart metering system is of immense value to the British public and industry, to give consumers more control and visibility over their energy use and as part of nationwide efforts to address the climate emergency. It is a reasonable expectation of the British public that the rollout will continue until complete and not end simply because an arbitrary target date has passed (and been missed). As a fundamental enabler for smart grid services, it is important that the rollout is completed at the earliest opportunity.

2. Do you agree with our conclusion that extending the existing "ARS" obligation would not deliver market-wide rollout in a timely manner consistent with wider Government objectives, in particular the long-term ambition of net zero greenhouse gas emissions by 2050? Please give reasons for your answer.

The ARS obligation has been beneficial in ensuring the roll out could be undertaken in a pragmatic way, but now all required elements are in place it is important to have a targeted approach to complete the roll out at the earliest opportunity for the reasons given to Question 1.

3. The obligation proposes a monitoring framework with binding pre-set annual milestones for four years (from 2021 to 2024). Do you agree with this time period? If not, we would welcome your views on alternative time periods. Please provide evidence to support your answer.

The time period needs to be realistic and achievable. Manufacturing processes work most efficiently when run consistently, not erratically. The policy should support product demand for a predictable, manageable supply chain. A four-year period seems appropriate here.

4. Do you agree with our assessment that an 85% minimum coverage at the end of the framework period is achievable? Please provide evidence to support your answer

BEAMA is not aware of all the inputs that could affect this figure but regards 85% as an appropriate figure for minimum coverage with a practical achievable figure of greater than 90%.

5. Do you agree with the application of permitted tolerance in stages, growing in a straight line to the final year of the monitoring framework? We would welcome your views on alternative methods to apply tolerance around the annual milestones. Please support your answer with relevant information.

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6. Do you agree that pre-defined annual milestones will facilitate the progress towards rollout completion? Please give reasons for your answer.

Yes. This will be help manufacturers determine their capacity requirements.

7. Do you agree with the proposal that "customer churn" –arising from consumers switching energy suppliers- should be accounted in energy suppliers' pre-set annual milestones? Please give reasons for your answer.

No. Progress should be measured in terms of new installations to maintain incentives and pressure on energy retailers to meet the requirements of the rollout.

Conversely, an energy retailer that installs a smart metering system and then loses that customer on 'churn' should not be penalised. The "effort" that Ofgem is trying to incentivise is the installation of smart metering systems, not the retention of customers, so it is the installation rather than the customer retention that should be counted, acknowledged and rewarded.

8. Do you agree with the proposal that any post 2020 obligation should be applied to all energy suppliers regardless of size and date of entry into the market? Please give reasons for your answer.

Yes. It is important that the obligation is applied consistently to all energy suppliers in order to facilitate the timely completion of the rollout.

9. Do you agree with the proposal of a mid-point review to revisit tolerance levels within the monitoring framework period in line with market conditions? a. If the answer is yes, when do you think will be the best time for this review? If the answer is no, please explain why not.
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10. Do you agree that the legal drafting in Annex 1 implements the policy intention proposed in this consultation? Please give reasons for your answer.
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11. Do you agree with the legal drafting in Annex 2 in relation to the post 2020 reporting requirements on rollout information to be provided to the Secretary of State? Please give reasons for your answer.
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12. Do you agree with the legal drafting in Annex 6 setting out proposed consequential changes to existing licence conditions as a result of the previous amendments? Please give reasons for your answer.
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SECTION 2: Policy Measures and Incentives
DCC Charging

13.Do you agree with the proposed changes to DCC charging arrangements in the period after end-2020? Please give reasons for your answer.
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14. Do you agree that the legal drafting in Annex 3 implements the policy intention? Please give reasons for your answer.
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Coordinated Consumer Engagement Activity

15. What types of co-ordinated consumer engagement activities are necessary in the period after 2020 to support delivery of a market-wide rollout? Please provide your rationale to support your suggestions.

Government, industry and other parties should work together to strengthen awareness among consumers, business and the media of the benefits of smart metering for driving consumer behaviour change. This should focus on two areas in particular:

> 1 - the enabling role of in-home displays as the primary source of real-time energy data feedback. This importance has been well documented and is fundamental to the consumer journey into smart energy management.
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> 2 - consumers need to hear a co-ordinated message emphasising the importance of smart metering to grid flexibility, and – crucially – why that flexibility is important. This is potentially a complex message, but consumers and businesses need to understand that a decarbonised energy grid will rely heavily on renewable energy generation, and this will mean significant additional flexibility is required. The role of smart metering in enabling that flexibility through new products and services, new market and business models, and the smart management of electric vehicle charging and low-carbon heating, should be explained to consumers in a way they can understand and trust.

It will also be important not to overstate the case here; we are already seeing some pushback from certain media outlets wary that customers are being coerced into accepting smart meters or that smart metering is being 'oversold'. Above all else, the challenge for the smart metering program and all who work in it – Government, energy retailers, other businesses, manufacturers and retailers of related smart appliances and energy management systems, as well as consumer groups – is to make sure that consumers trust this rollout and trust the organisations delivering it.

16. What policy amendments or new initiatives you consider will be required to ensure that the consumer benefits of smart metering are sustained? Please provide evidence to support your views.

Ofgem and Government need to encourage new market models and business models that reward consumers for providing flexibility. This will include supporting innovation in markets for smart appliances and for energy storage, microgeneration and smart or

managed energy use. Half-hourly settlement will be an important part of this solution, and it should be prioritized and accelerated.

BEAMA will be making separate recommendations on the need to include or account for smart metering and smart readiness in building regulations in future responses to related consultations.

Government should also consider the non-energy benefits of smart metering and smart technology, including improving health and social care outcomes.

And, above all, Government should use the extra flexibility and consumer engagement enabled by smart metering to rapidly decarbonize electricity generation, road transport and heating. This transition to a low-carbon energy system needs to happen at pace. The Government should place a high priority on returning the UK's carbon abatement trajectory into line with the carbon budgets set out by the Committee on Climate Change.

BEAMA recently published our Net-Zero commitment alongside a report outlining how to reach net-zero and ensure value to consumers and businesses are delivered[1]. Smart Metering is a key part of the infrastructure within buildings that will enable decarbonisation.

Other Incentives

17. What other policy measures should the Government consider in order to complement the proposed market-wide rollout obligation? Please give a rationale and evidence to support your suggestions.

Government should provide more support for integrating smart-enabled products in new buildings, especially new residential buildings. There should be a clear pathway in the work towards a Future Homes Standard at the earliest possible stage to ensure smart-enabled products are encouraged and treated appropriately by the Regulations and guidance.

There should also be more support for the retrofit of existing housing stock with smart-enabled products, including policies to encourage take-up of microgeneration (this will be easiest in the case of solar PV). Recent policy changes have tended to work against that outcome.

There needs to be more support for installed distributed energy storage in homes. This should include but not be limited to electric battery storage. As a matter of urgency, Government should take policy steps to reverse the decline in installed hot water tanks and introduce measures that facilitate the management of hot water storage as part of an in-building energy system that delivers flexibility to the building and to the grid.

BEAMA welcomes the opportunity to respond to this consultation.

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[1] http://www.beama.org.uk/resource-library/net-zero-by-design.html

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