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| BEAMA Consumer Energy Display Industry Group  Response to the Government’s Consultation on amending IHD licence conditions  22 September 2015 |
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**Introduction**:

BEAMA is the leading British trade association for manufacturers of electrotechnical equipment. It represents manufacturers throughout the smart metering supply chain. The Consumer Energy Display Industry Group (CEDIG) is part of BEAMA’s Mandated Smart Metering Products Group and consists of five UK-based manufacturers of In-Home Displays and other energy display products (see Annex 1).

BEAMA welcomes the Government’s consultation and appreciates the opportunity to respond to DECC’s stated intentions and approves of the proposed tightening of Supplier Licence Conditions to close loopholes in the requirement to offer consumers a physical IHD. Any queries should be directed in the first instance to:

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**Executive Summary**

In particular, BEAMA welcomes the Government’s reassertion that the IHD is a critical part of its commitment to put consumers in control of their energy use and that for many consumers the IHD is the beginning of the journey towards increased energy efficiency. BEAMA also welcomes the Government’s statement that the rationale for the IHD mandate is supported by strong evidence and that other forms of feedback should not undermine the offer of the IHD. This is also supported by BEAMA’s research, which shows that the best savings from alternative forms of feedback occur when used in conjunction with the IHD, not a replacement for it.

BEAMA supports the Government’s commitment to promoting additional research and innovation in this area, and we look forward to being part of the many exciting advances in domestic and commercial energy management products and services. We strongly support the Government’s intention to close loopholes in the licence conditions supporting the mandate.

Supporting the IHD mandate is not a technologically backward or conservative position: it is supported by strong evidence, and it acknowledges that for accessibility, inclusiveness, effectiveness and economy the IHD has no peer. The IHD itself has been subject to many technical advances (which continue) and is far from being an “old-fashioned” device merely because it is a physical piece of equipment.

It is our view that IHDs are and will continue to be the cheapest way of providing real time data to consumers. We contend that there is no proven way to provide real time energy data to a household in an omnipresent form for less than the cost of a mandate-compliant physical IHD (at Impact Assessment price or cheaper). As such, the basic economics support the IHD mandate.

Once the cost of the physical display is met, providing the household with the means to export data out of the property can be done very cheaply. It is BEAMA’s view that instead of seeking to undermine or challenge the mandate, industry should be discussing how best to build on it with logical devices and other products and services that augment the IHD but do not replace it.

***Energy data in near-real time***

The fundamental premise of smart metering is that it will engage consumers by giving them access to near-real-time data. It is BEAMA’s strong view that any alternative to the IHD that does not contain a Home Energy Management System with easy consumer access to real time data, whether based on historical or comparative information, is quite simply a non-starter. We note that the IHD provides this information to all residents of a property, not just the primary bill-payer.

***The Home Area Network***

In section 1.2 of the consultation, the Government notes that “consumers will have near-real time information on their energy consumption to help them control and manage their energy use”. In our response to this consultation, BEAMA seeks assurances that this principle is inviolable regardless of the outcome of any study comparing near-real time feedback with other forms of feedback. This is because the benefits of near-real time data extend beyond its effect on consumer behaviour; there are additional consumer and network benefits and dependent goods and services that will rely on a HAN that provides this information, whether or not an individual consumer wishes to access such data.

The BEAMA Connected Homes Group (CHG) Management Committee has reviewed the Consultation in consideration of how the smart metering infrastructure, including the CAD and IHD, will enable smart grid applications in the future domestic energy market. The BEAMA CHG consists of more than 20 UK manufacturers of connected homes devices, including metering, IHDs, CADs, low carbon technologies and energy management systems and controls (see Annex 2). So, the membership of this group covers the full supply chain for domestic gas and electric appliances and control systems that will link to the Smart Metering HAN. Membership includes large multinationals as well as SMEs. The scope of this group covers system integration in the Consumer Home Area Network, including interfaces with the Grid and Smart Metering Home Area Network, and domestic services (low carbon technologies, and distributed generation.

BEAMA CHG is very supportive of the Government position to provide a mandated IHD at point of installation to domestic and small commercial customers. This element of GB smart meter rollout is a vital part of the benefits case and in the provision of real time energy use data to consumers. Any supplementary or alternative option must retain the in-home communications already defined in the smart metering specification and the real time nature of data accessed by the consumer.

The provision of real time data and the existence of the consumer HAN are essential for future demand side market options for domestic and small commercial customers. Therefore, any supplementary solution to be trialled should ensure the same if not more service options for consumers and their ability to engage in a demand side market. There is significant innovation in this sector today, and therefore significant opportunities for manufacturers to develop more advanced solutions that can build on the existing Smart Meter, Communications Hub and IHD infrastructure already installed in consumers’ properties.

If alternative solutions were to be accepted that do not explicitly require the existence of a Consumer Home Area Network (C-HAN) in order to operate, there is a risk that energy retailers could challenge the need for supplying a C-HAN at all (assuming they have demonstrated similar consumer benefits derived from a solution not requiring a C-HAN).

The BEAMA CHG, with the support of its members, has done a lot of work recently to demonstrate how the link to the Smart Metering Home Area Network (SM-HAN) and application of the IHD is vital to future demand side applications. The provision of real-time data in omnipresent form is crucial in this respect. UK and multinational companies are working to develop solutions that will be interoperable and can utilise data from the C-HAN. Therefore, removing this capability could drastically affect the future options customers have and potentially create more confusion in the market.

The recommendation of the BEAMA CHG is that any alternative measure to be proposed as part of a derogation to its license obligations on the part of an energy supplier must be based on real-time energy data provision; must be capable of being accessed by socially vulnerable groups; and must not preclude any household from being able to access future connected homes solutions and services following the installation of its smart metering system that may contain the afore-stated alternative measure.

***Answers to consultation questions***

1. **Do you agree with the preferred approach for closing off the risk to the IHD offer summarised at paragraph 2.10c?**

Yes, but the proposal in the second paragraph, to strengthen requirements (both in the Licence Conditions and in the SMICoP) on the advice and information suppliers are required to provide consumers when offering an IHD, also has some merit. We agree that this should reinforce the benefits of the IHD over the alternative and increase its take-up by consumers. This would address the need to protect consumers from a supplier encouraging them to reject an IHD even though that may not be in the consumers’ best interests.

1. **Do you have any comments on the proposed legal drafting amending IHD Licence Conditions at Annex 2?**

No.

1. **Do you agree with the proposal to allow suppliers under their Licence Conditions to apply to the Secretary of State for a derogation from the IHD mandate in order to trial IHD alternatives?**

Yes.

1. **Do you agree with the proposed broad principles underlying the derogation process and the scope of the design requirements to be included in trial guidance? Please provide evidence to support your response and any other matters that you think should be taken into account.**

The Government is seeking evidence on the value to consumers of the alternative engagement tools both in terms of energy saving and in terms of the consumer journey (section 3.2). Therefore, a successful trial should be subject to the following criteria *as a minimum*. A successful trial will:

* show an alternative to be BOTH cheaper and more effective in real terms.
* demonstrate how it will continue to work in the context of supporting the ability of all consumers to access and engage with near real time energy data.
* demonstrate that it will not compromise the provision of the HAN.
* not compromise switching.
* compare the proposed alternative with state-of-the-art IHDs at IA price, not with outdated or last-generation IHDs.
* take into account the expected life span of an IHD, (current RFPs from energy suppliers typically ask for seven years), demonstrating that the proposed alternative will continue to function for as long and that its benefits will match or exceed the projected benefits of IHD use as demonstrated in DECC’s Early Learning Project, which showed that a majority of consumers continued to use their IHDs 2½years after installation. We suggest that DECC stipulate that the service should be provided for five or seven years at similar benefits provision and cost profiles as the IHD before it is deemed to provide equivalent long-term benefit.
* show how the anticipated alternative product or service will work in conditions particular to Great Britain. Trials or experiences from other countries should be given less weight, and researchers should be required to show how and why overseas experiences are relevant to the GB energy sector.

On the issue of switching, BEAMA asks the Government to consider (a) to what extent any solution (with superior benefits and lower costs) supports the practicalities of employment and rollout, and (b) how Change of Supplier would impact on its performance. It is our experience that VIHDs and smartphone applications are supported by web-service platforms specific to particular energy suppliers. This has implications for continuity of service through CoS that in BEAMA’s view would need to be addressed and resolved by any successful trial.

As per section 3.7 of the Consultation, there should be no “duplication of assets”, as the supplier should not be offering any form of feedback that does not make economic and financial sense to the consumer.

Finally, any solution being trialled must provide customers with information that enable customers to make changes to their consumption habits over time without having to use other services from the suppliers or associated companies. As per the discussion of the Home Area Network, above, the BEAMA Connected Homes Group has provided more detail on this point and on the recommendation that no policy be enacted that would jeopardise the provision of a HAN.

1. **Do you agree that we should require in Licence Conditions all derogation applications to be submitted to the Secretary of State by the end of January 2017?**

Yes. This issue should be resolved as soon as is practicable so that industry stakeholders involved in developing and providing the products and services that will give consumers control over their energy use and support the upgrade of Britain’s energy infrastructure have the market and consumer confidence in which to operate. However, this should not be interpreted as a need for a decision to be made before robust evidence is in. Ideally, trails would be done in Great Britain and they would be up to date, taking account of recent changes in the way energy is used; i.e. the evidence offered in support of an alternative to an IHD should be gathered in only those trials allowed by the Licence Condition amendments under consideration in this consultation; evidence from trials pre-2015, or from the experience of companies operating in countries where there is no IHD mandate should not be admitted.

1. **Do you agree that suppliers should be required to offer those customers on a trial an IHD as an either/or with their alternative engagement tool at the end of the trial?**

At the end of the trial, the supplier should be required to offer those customers on a trial an IHD just as if they were new customers. If the IHD is not accepted by the customer, the supplier could be permitted to offer an alternative as per existing licence conditions.

1. **Do you have views on whether the current Licence Conditions giving consumers 12 months to change their mind on taking up an IHD should apply from the point of the IHD offer for trial participants?**

We agree with this proposal.

1. **Do you have any comments on the proposed legal drafting introducing new Licence Conditions at Annex 2?**

No.

**Annex 1: Membership of BEAMA Consumer Energy Display Industry Group**

Chameleon Technology (UK)

Efergy

Green Energy Options

In-Home Displays

Secure Meters (UK)

**Annex 2: Membership of BEAMA Connected Homes Group**

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| Cable Management Group |
| Chameleon Technology (UK) |
| Cooper Bussmann (UK) |
| Daikin |
| Drayton Controls |
| EDMI |
| Elster Metering Systems |
| Green Energy Options (GEO) |
| Hager Engineering |
| Heatrae Sadia Heating |
| Honeywell ACS Control Products |
| Secure Controls (UK) |
| In Home Displays |
| Itron (UK) |
| Legrand Electric |
| Pegler Yorkshire Group Limited |
| Schneider Electric |
| Sentec |
| Vaillant |
| Eaton Electric |
| Honeywell ACS Control Products |
| MK Electric |
| Siemens |
| GDC Group |
| Climote |
| Smart Buildings |