

Council of European Energy Regulators 2015 Customer Conference:

Retail Energy Markets – A “New Deal” for Consumers

Session 4: Innovation

20 October 2015

1 What are consumers’ expectations for innovation?

Of course the simple answer to this question is that we want fully functioning innovative products and services, but I underline that these need to be safe, in the widest use of the word, and fit for purpose.

As was identified in the Status Review on the Involvement of Consumer Organisations in the regulatory process, consumer organisations in general do not deal with single business sectors but cover a wide range of sectors. From this broader consumer perspective I find that those sectors that are driven by technological innovation are very good at delivering the primary objectives of the innovation. However, they are far less good at managing the consequences, particularly the less well foreseen adverse consequences of those innovations – what Donald Rumsfeld called the “known unknowns” and the “unknown unknowns”. I suspect that the reluctance to address some of these issues is because it takes time and effort and there is unlikely to be any immediate benefit – that is profits – for the companies concerned.

Using lean process modelling, the United Kingdom’s National Consumer Federation has looked at the cost of complaints in the United Kingdom. We have estimated that something in the order of £24 billion is lost to the economy each year due to the need to handle complaints and disputes – extrapolated across the European Union this is a loss of some 600 billion Euros per annum. I don’t know the current situation in the energy industry but I strongly suspect that by giving more attention up front to the consequences for the implementation of new technologies, such as smart metering, will make significant savings to the economy by reducing complaints and disputes and would therefore improve profitability and of course consumer trust. I believe that this is something that could be taken up within the framework of your position paper on well-functioning energy markets. All stakeholders, including consumer experts, need to be directly involved in identifying and resolving problems before they become costly to the economy. Perhaps this is a call for further European Standards to deal with these pre-competitive issues.

ANEC has issued a position paper on the desired consumer outcomes for smart metering. The paper indicates that simply formulating expectations and desired outcomes will not do the job. We need to monitor whether the smart meter deployment does really fulfil these expectations of consumers. If not, we need to think about corrective measures. Getting it wrong could be very costly to the economy.

Our proposed desired consumer outcomes are detailed under four headings:

- Access to information
- Consumer satisfaction
- Benefit realisation
- Active engagement

Much more detail is available on our [position paper](#).

2 Studies on the willingness to pay for smart metering

We don't have studies on the willingness to pay for smart metering. However, what are the real drivers for consumers to take full advantage of innovation? It is not the technology but how consumers can use the innovations for their benefit. We should remember what Steve Jobs said when returning to Apple Computing after they had rather lost their way without him. He told his Research & Development laboratories that it wasn't about the technology. It was about the customer experience. We should be careful not to let the technology run away from us and lose focus on customer experience.

Without substantial benefits available for consumers, households will not be incentivised to engage in smart metering. Evidence from the European Commission and national reports indicates that energy savings through smart metering systems are quite small. These reports showed savings of between 0.6% and 4% as being realistic.

Hence, having a smart meter does not translate automatically into energy savings or efficiency. Thus you need to look to other factors to get consumers to engage with the new technology. If you put solar panels on your roof, you can see an immediate return on the investment, even if it will take time to repay the initial outlay. If smart meters are to deliver their potential, it is essential to demonstrate simple and obvious advantages to consumers.

It should be noted that as a consumer, we are faced by over 700 categories of goods and services with which we interact. How much of my time am I prepared, or able, to commit to any single activity? The benefits must be clear and obvious for me to make the best of the opportunities that smart meters present.

3 Can smart meter standards drive European innovation, and what are the barriers for adoption?

Standardisation at European level is important. It provides an effective mechanism for completing the Internal Market, where technology and energy services are provided across national borders.

Standardisation will make it easier for consumers to make faster switching and have easier access to new products from new service providers. Standardisation of the data format needs to facilitate the communication of data content via

multiple communication channels (such as mobiles, internet, in - home displays, etc.).

ANEC followed the execution of M/490 on smart grids and M/441 on smart meters. ANEC perceives the results of M/490 as positive, but we are critical about implementation, which is the next step.

We regret the provision of accessible and usable information to consumers has been outside the scope of this standards work and will not be addressed by European standards. Households need easy, free and understandable access to information about their energy consumption. The decision on if and which information is to be communicated via smart meters to the consumer is up to Member States themselves. This means that consumers in different European countries may not receive the same information.

Also we know that many of the in-home displays do not meet the ergonomic requirements of international standards, so some consumers may find them difficult to use (DIN, <http://tinyurl.com/pd3ce68>; Consumer Focus, <http://tinyurl.com/pdpft6x>).

Standards are an important driver for **interoperability**. However, a clear programme of end-to-end testing would help to ensure interoperability of both the system and end devices. Support needs to be provided to consumers to resolve interoperability issues without incurring additional costs.

I find it worrying that a majority of Member States did not make additional interoperability specifications (e.g. companion standards / profiles) and therefore I suspect moving forward interoperability issues will arise.

So in conclusion, ANEC sees benefits for the consumer from innovations in the energy industries but is concerned that more needs to be done if smart meters are to be a success with consumers. The CEER emphasis on competition and innovation coupled with consumer involvement is very much welcomed but I believe the detailed metrics under Consumer Involvement could be strengthened in that all stakeholders need to work together effectively if the potential of this critical and developing market is to be achieved.

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