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To: smartmetering@ofgem.gov.uk

Radio Teleswitch Service (RTS) Licence Condition – Policy Consultation

Dear Ofgem

Sustainability First is a charity and think tank focussed on social and environmental issues in the energy and water sectors with a track record of engagement on a wide range of regulatory issues.

We are pleased that Ofgem and the industry are now placing a strong focus on the replacement of RTS meters with the imminent shut-down of the RTS system. However, our work on this and related issues over a number of years means we are very aware of the complexity of these arrangements and hence the real risks to consumers if suppliers are simply focussed on hitting the numbers in terms of RTS replacements and not the wider impacts for customers.

We are disappointed that there is no mention in the consultation on the **Standards of Conduct** (SLC 0)[1] which we would have thought provides an important pre-existing obligation that should help frame how suppliers approach the change-out and **ensure that each customer is treated fairly**.

The Grid Edge Policy report "An Electric Heat Pathway: Looking Beyond Heat Pumps"[2] (2020), looked at some of the issues around RTS and the need to replace these meters with smart meters. The report highlighted a number of challenges including the **complexity of different wiring solutions** in the household (ie it can be just the heating / hot water which has a cheaper overnight rate or it can be the whole house). It is vital that when the supplier changes out the meter the heating essentially works in the same way as before and that if that is not possible, the customer is completely clear what is involved. In our view, this should be central to the suppliers' existing obligation to treat customers fairly, noting that (based on the data in the Grid Edge Policy report) these customers are likely to be disproportionately vulnerable.

We are also aware that in some cases the meter change may require changes to the internal wiring in the customer premises, without which the customers heating will not work or not work as intended. While internal wiring is formally the customer's responsibility, we are concerned that this could leave customers significantly worse off as a result of the meter change. We would ask that Ofgem works with suppliers to find a way to fund any such wiring changes.

The Glen Dimplex advice[3] on the RTS switchover (and which storage heaters need a separate time switched supply and which can have timing programmed on the meter) is an example of the

[1] https://www.ofgem.gov.uk/sites/default/files/docs/2019/02/licence_guide_standards_of_conduct_0.pdf
[2] https://ssen-innovation.co.uk/wp-content/uploads/2022/08/NIA_SSEN_0039-Electric-Heat-Pathways-Final-Report.pdf
[3] https://help.gdhv.co.uk/support/solutions/articles/79000145364-radio-teleswitch-economy-7-meters-smart-meter-migration

complexity. We assume that meter installers will be on top of this technical detail but we would stress again that these are not simple installations and there are risks if not done correctly.

The Grid Edge Policy report also highlighted the extent to which DNOs (and in particular those in more remote regions like SSEN) are dependent on the flexibility these meters provide to maintain resilience. One of the delays in suppliers tackling RTS was the delay in getting the **5 terminal meter variant** that would allow control of the heating load. I believe SSEN have been exploring a commercial offering to make use of this (and to support diversification of load) but with questions as to whether all suppliers are using the variant meter where they should. The ability of DNOs to stagger off peak heating times in demand constrained areas is important to avoid the risk of particular parts of the network becoming overloaded. The inclusion of the networks in the RTS Taskforce should mean this issue has been covered but assuming the 5 terminal meters are more complex and costly to install, it is important that Ofgem tracks whether they are indeed being used.

We are pleased that Ofgem has flagged the issue of **tariffs** and note the proposed obligation on suppliers to take all reasonable steps to ensure customers are **"no worse off"** with a smart meter. This is particularly important for customers on complex heat tariffs – but we remain unclear what Ofgem would judge to be all reasonable steps. Some good practice examples might help and, where suppliers are unable to offer an equivalent tariff, Ofgem should make clear that they should be supporting households in making the transition to any more expensive tariff - with payment flexibility, energy efficiency advice / measures, Warm Home Discount eligibility checks etc

Moreover, the Grid Edge Policy report, "It's a Lottery"[4] and the subsequent Sustainability First Round table, highlighted the extent to which customers on Economy 7 tariffs are currently over-paying because of the working of the price cap (which gives suppliers discretion over how they set relative day and night rates). We also had real concerns that in many cases customers who no longer had storage heating and had switched to gas heating were still on Economy 7. In our open letter[5] to Ofgem we suggested that there could be 1.5 million customers on multi-rate tariffs but who no longer had storage heating. In one (extreme) case study the customer was over-paying by £990 pa by being on Economy 7 rather than a single rate[6]. In our view this is a clear breach of the obligation on suppliers to treat customers fairly by ensuring that they are on a tariff that is suitable for their needs. The fact that suppliers are clearly still finding customers who are now on gas but with RTS meters suggests that this issue was not followed up when we highlighted it 2 years ago.

Our point here is that **the Ofgem requirement should not simply be about ensuring that customers "are no worse off" but also ensuring that they are on a tariff suitable for their needs.**

That report also flagged the low level of understanding across Economy 7 and similar tariff customers about how their tariff worked – when the different rates applied, whether it was for all their load or just the heat etc. The engagement with individual customers around RTS is an opportunity to **ensure they understand their tariff**, which again we see as a core component of treating customers fairly.

In thinking about potential licence changes, and building on the points above we would highlight the following issues for Ofgem to consider:

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[4] https://sustainabilityfirst.org.uk/wp-content/uploads/2023/02/glen_dimplex_report_economy_7_Jan23.pdf
[5] https://sustainabilityfirst.org.uk/wp-content/uploads/2023/02/Open_letter_to_Jonathan_Brearley_on_Economy_7.pdf
[6] https://sustainabilityfirst.org.uk/wp-content/uploads/2023/01/sf_response_price_cap_programme_of_work.pdf

- We are unclear what the impact is of making it an offence to supply through an RTS meter. Obviously, the intent is not that these customers should be cut off but if they refuse a smart meter could that be the end result? Is this really strong message needed to get customers to switch or is it just a device to get suppliers to focus (where an alternative framing might be less objectionable from a consumer point of view)?
- We are unclear how long it would take to make these licence changes but they risk not coming into force until after most customers will (hopefully) have switched out ie too late to be of any value. Are there not existing provisions such as the Standards of Conduct that could be relied on straight away?
- Does the "no worse off" formulation risk undermining the existing provisions that we had previously been looking to Ofgem to enforce around "treating customers fairly".ie the supplier could still leave a customer on Economy 7 if that was what they were on before even if it were unsuitable for their needs?

While we recognise that RTS switch-off is now an urgent issue, it is vital for these customers that suppliers get the installation right, that the customer is on a tariff that is suitable for their needs (and is no worse off than they were before) – and that the customer is clear if there will be changes to the way their heating works (or the working of their tariff) going forward. **Ofgem should be monitoring consumer experience and supplier performance across all these aspects.** It should not just be about hitting the numbers.

We are also very aware that the prospects of suppliers changing out all RTS meters by the switch-off date are slim. We hope that Ofgem is thinking now about how and when problems might materialise and the need for a possible follow-up campaign. If they have not experienced any problems immediately after the switch off customers may take false comfort and be less likely to respond to subsequent requests to change out the meter.

Finally, we are strong advocates of electric storage heating as a flexible electric heat solution that is particularly suited to smaller properties. As such we are keen to see suppliers innovating and offering tailored smart tariffs that exploit that flexibility as some suppliers[7][8] and others[9] are starting to do. This is a potential upside of the RTS change-out that we would like to see encouraged.

I am hopeful that with the Industry Taskforce that you have established you have already been discussing many of these issues but our experience, in particular looking at the position of Economy 7 under the price cap, has left us concerned that this is a neglected group of customers whose needs are not well understood. This is a chance for Ofgem and suppliers to redress that balance.

Yours faithfully

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[7] https://octopus.energy/blog/introducing-snug-octopus-our-smart-tariff-for-storage-heaters/
[8] https://www.britishgas.co.uk/energy/gas-and-electricity/dimplex-quantum-tariff.html
[9] See Nutwood Article on "Inclusive Tariffs" in Cornwall Insight - here