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Rt Hon Ed Davey MP
Secretary of State
Department of Energy and Climate Change
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7 October 2014

Dear Ed

With the official rollout of smart meters due to start in little over a year, I am writing to urge you to take swift action to limit the cost of this programme to consumers. While we support the introduction of smart meters and the benefits they can bring, it is imperative that everything possible is done to maximise the value from the scheme.

We believe there are savings to be made in three areas that your Department should examine. First, options to reduce meter financing costs should be explored either through centralised procurement or a central scheme to guarantee smart meter functionality when customers switch. Supplier analysis suggests hundreds of millions of pounds could be saved in these ways. As you know, the communications hubs for smart metering were procured centrally and this resulted in substantial savings; a similar approach applied to meters would also bear fruit. The current situation, which involves bilateral arrangements for each supplier, is clearly inefficient. An alternative approach would be to ensure participation by all suppliers in a collective scheme to guarantee that all meters continue to perform all smart functions when customers switch.

Efficiencies could also be achieved in two other areas. The current lack of clear guidance as to the 'reasonable steps' that must be taken to install smart meters in every home is causing uncertainty among some energy suppliers. Guidance issued by Ofgem before the official rollout begins would enable providers to plan better and conduct their rollouts more efficiently. Additionally, a coordinated approach to the procurement and installation of communications infrastructure in high rise and other difficult properties should be pursued. This could cut down on the number of visits suppliers have to make to these properties, thereby reducing disruption and unnecessary duplication of effort and cost, as well as ensuring interoperability of equipment.

At a time when rising energy bills continue to squeeze household budgets, we are sure that you will agree the Government, regulators and energy suppliers must work together to reduce the cost impact of the smart meter rollout as far as possible.

I am copying this letter to Baroness Verma at DECC and Lord Deighton at HM Treasury.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Lloyd', written over a white background.

Richard Lloyd
Executive Director