

Guidelines for smart energy practitioners and commissioners: a first draft

In our report on Phase One of *Smart and Fair?* we concluded that those offering smart energy offers cannot be expected to take by themselves all the necessary steps to ensure fairly distributed participation in their offers. That could create a burden that would put at risk the innovation needed to achieve a smarter energy system.

Nevertheless, we can set out a series of steps which those making smart energy offers to domestic consumers – or, like system operators (at grid and distribution level), commissioning or creating markets for such offers from others – should be expected to take and to document transparently and publicly.

Doing so across the market would greatly assist the development of interventions to increase market participation levels, including for vulnerable consumers. It will also inform future assessment of the potential distributional impacts of different sets of offers becoming commonplace and what might be needed to protect those at most risk of being left behind.

In addition, this information (particularly from steps 1 and 2) should improve the quality of listings by offer comparison sites and associated consumer suitability assessments as they start to feature smarter energy offers (including different types of time of use tariffs).

Consistent market-wide adherence to these steps would also improve the quality and value of future market monitoring. It would enable more accurate predictions of take up and participant characteristics for each type of offer coming forward to guide monitoring activity and to test against actual market behaviours.

1. Articulate clearly the terms of your offer

This should include: any technology required (and whether provided/included); the potential costs and benefits and their origin (e.g. avoided system charges, grid/network services, half-hourly variations in wholesale energy costs etc.); how the scale of benefits achieved relate to the behaviours/responses of the consumer and/or their equipment; the nature and causes of risks to consumer, including shortfall in anticipated benefits and any offer-associated technology failure or underperformance.

2. Describe the capabilities and attributes which your offer requires of participating consumers

The *Smart and Fair?* Offer Profiling Tool is designed to assist this process; our findings using the beta-version of the Offer Profiling Tool is that this exercise is most useful when the user starts with a clear articulation of the offer and when different users compare and discuss their resulting offer profiles to arrive at an agreed profile.

3. Consider and articulate how you anticipate both 1. and 2. might change over time (e.g. within one year, two years, beyond)

As the offer becomes more proven and participation therefore less risky, how might the costs of participation change (for example, in terms of the price of required technology)? Are the available benefits likely to change (for example, as markets in grid services develop and mature or wholesale markets change with higher volumes of renewable generation)? How would these changes, and potentially the greater market familiarity with the type of offer, affect the capabilities and attributes required of participating consumers (e.g. available to lower income households, less dependent on attitude to risk etc.)?

4a. Understand the nature and numbers of consumers who have the right capabilities and attributes to participate in your offer now and over time, and

4b. Identify the most significant missing capabilities and attributes for those who do not, including vulnerable households

The *Smart and Fair?* Consumer Classification Model (not available in the public domain) is designed to enable this by characterising every consumer household according to the range of capabilities and attributes included in the Offer Profiling Tool. Applied appropriately, the Model can reveal the number and nature of households which have the required capabilities for participation (and how they distribute geographically). It can also detail the reasons (in terms of missing characteristics and attributes) why other households are unable to participate. This in turn indicates what number and type of households might be assisted by interventions designed to address such gaps.

The Consumer Classification Model analysis can be tuned to focus on consumers with different types of vulnerability. This will expose the particular challenges – and the particular potential mitigating interventions – associated with increasing participation by such consumers.

5. Describe the types of interventions which, if taken, would be most likely to enable wider participation and those which, if taken, would specifically support more vulnerable consumers to participate

Drawing on the analysis from Steps 4a and b above and the considerations outlined in Section 5.3 of the Phase One report (www.cse.org.uk/smart-and-fair), it should be possible to describe a range of mitigating interventions which could address key gaps in attributes which are preventing consumers, and more specifically, vulnerable consumers, from participating in the offer.

Highlighting these potential interventions for each offer will help to inform the design, development, targeting and delivery of interventions across the market by whatever agencies are identified and supported to implement them.