

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

SMART METERS BILL

Third Sitting

Thursday 23 November 2017

(Morning)

CONTENTS

CLAUSE 1 under consideration when the Committee adjourned till this day at Two o'clock.

Written evidence reported to the House.

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Monday 27 November 2017

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The Committee consisted of the following Members:

Chairs: †MIKE GAPES, MRS CHERYL GILLAN

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| † Carden, Dan (<i>Liverpool, Walton</i>) (Lab) | † Pawsey, Mark (<i>Rugby</i>) (Con) |
| † Debonnaire, Thangam (<i>Bristol West</i>) (Lab) | † Quince, Will (<i>Colchester</i>) (Con) |
| † Freer, Mike (<i>Finchley and Golders Green</i>) (Con) | Ross, Douglas (<i>Moray</i>) (Con) |
| Gibson, Patricia (<i>North Ayrshire and Arran</i>) (SNP) | Smith, Laura (<i>Crewe and Nantwich</i>) (Lab) |
| † Grant, Bill (<i>Ayr, Carrick and Cumnock</i>) (Con) | † Tolhurst, Kelly (<i>Rochester and Strood</i>) (Con) |
| † Harrington, Richard (<i>Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy</i>) | † Warman, Matt (<i>Boston and Skegness</i>) (Con) |
| † Kerr, Stephen (<i>Stirling</i>) (Con) | † Watling, Giles (<i>Clacton</i>) (Con) |
| † Lewis, Clive (<i>Norwich South</i>) (Lab) | Western, Matt (<i>Warwick and Leamington</i>) (Lab) |
| † McCabe, Steve (<i>Birmingham, Selly Oak</i>) (Lab) | † Whitehead, Dr Alan (<i>Southampton, Test</i>) (Lab) |
| † Morris, Grahame (<i>Easington</i>) (Lab) | Jyoti Chandola, Clementine Brown, <i>Committee Clerks</i> |
| | † attended the Committee |

Public Bill Committee

Clause 1

Thursday 23 November 2017

(Morning)

[MIKE GAPES *in the Chair*]

Smart Meters Bill

11.30 am

The Chair: Good morning, everyone. Before we begin line-by-line consideration I have a few preliminary announcements.

Please switch electronic devices to silent. Tea and coffee are not allowed during sittings, but you may if you wish remove your jackets—[*Interruption.*] I am delighted that the Whip is first off.

We will now begin our line-by-line consideration. The selection list for today is available in the room and on the Bill web page. It shows how the selected amendments have been grouped together for debate. Grouped amendments are generally on the same or a similar issue.

Amendment 20 has been selected even though it is starred. That is because it was tabled before the deadline but withdrawn and re-tabled due to an administrative error.

A Member who has put their name to the leading amendment in a group is called first. Other Members are then free to catch my eye to speak on all or any of the amendments in that group. A Member may speak more than once in a single debate. At the end of the debate on a group of amendments I shall call the Member who moved the leading amendment again. Before they sit down, they will need to indicate whether they wish to withdraw the amendment or to seek a decision.

If any Member wishes to press any other amendment or new clause in a group to a vote, they need to let me know. I shall work on the assumption that the Minister wishes the Committee to reach a decision on all Government amendments when we reach them.

Please note that decisions on amendments take place not in the order that they are debated, but in the order that they appear on the amendment paper. In other words, debate occurs according to the selection and grouping list, and decisions are taken when we come to the clause that the amendment affects. Decisions on adding new clauses or schedules are taken towards the end of proceedings but may be discussed earlier if grouped with other amendments.

I shall use my discretion to decide whether to allow a separate stand part debate on individual clauses and schedules following the debates on relevant amendments.

I hope that explanation is helpful.

SMART METERS: EXTENSION OF TIME FOR EXERCISE OF POWERS

Steve McCabe (Birmingham, Selly Oak) (Lab): I beg to move amendment 1, in clause 1, page 1, line 4, leave out ‘1 November 2023’ and insert ‘31 December 2020’. *This amendment would reduce the proposed extension of powers to align them with the planned completion of the smart meter rollout.*

The Chair: With this it will be convenient to discuss the following:

Amendment 2, in clause 1, page 1, line 9, leave out ‘1 November 2023’ and insert ‘31 December 2020’.

This amendment would reduce the proposed extension of powers to align them with the planned completion of the smart meter rollout.

Amendment 3, in clause 1, page 1, line 12, leave out ‘1 November 2023’ and insert ‘31 December 2020’.

This amendment would reduce the proposed extension of powers to align them with the planned completion of the smart meter rollout.

Amendment 4, in clause 1, page 1, line 16, leave out ‘1 November 2023’ and insert ‘31 December 2020’.

This amendment would reduce the proposed extension of powers to align them with the planned completion of the smart meter rollout.

Amendment 5, in clause 1, page 1, line 19, leave out ‘1 November 2023’ and insert ‘31 December 2020’.

This amendment would reduce the proposed extension of powers to align them with the planned completion of the smart meter rollout.

Steve McCabe: Good morning. It is a pleasure to serve under your chairmanship, Mr Gapes. I should probably confess to you that this morning in the railway station, as I discovered that the 8.30 and 8.50 trains had both been cancelled, I wondered about phoning you to ask whether I could be the first Back Bencher to make it into *Hansard* by moving the amendment on Skype. I was intrigued to know what your ruling on that might be. However, as I am sure the Minister and his colleagues are relieved to hear, at the 11th hour a train arrived. It was an interesting journey, but I made it here.

The amendment seeks to reduce the period for which the extension of the licence would apply. Amendments 2 to 5 are consequential. To be clear, I am in favour of smart metering. I believe that it is a technological advance with the potential to save energy use and to reduce customer bills, and it may have wider, long-term and beneficial applications. I assure the Minister that these are not wrecking amendments. Rather, the purpose is to probe, to uncover the explanation for what has gone so wrong with the roll-out so far. What assurances can he give the Committee that an extension of the deadline will result in a satisfactory outcome, not simply allow an extension of the delays and spiralling costs, which have been a feature of the programme to date?

It is the Government’s wish that by 2020 more than 50 million new energy smart meters will have been rolled out to 30 million homes and smaller non-domestic sites. The programme is currently in the main roll-out stage, which is due to end in 2020. However, as I said, it has faced persistent delays. As a result, SMETS 1, the early version of meters that we heard about in the oral evidence sessions, is still being rolled out, and that is scheduled to continue until July 2018.

As I have indicated, there are real benefits from the programme. Smart meters coupled with a functioning in-home display—an IHD, as it is referred to in most of the documentation—can make energy usage and cost

visible to customers in near real-time, enabling consumers to change their patterns of consumption. That in turn can help with demand management for the energy supply across the country.

The scale of what remains of the smart meter roll-out programme is immense. Only 8 million meters have been installed so far out of a target of approximately 53 million. That is about 15% coverage, with only three years left of the main roll-out stage.

Stephen Kerr (Stirling) (Con): I am not clear about what would be achieved by a move of date. If, as the hon. Gentleman says, and I agree with him, it is a stiff target to install the remaining balance of meters by 2020, why change the date when the purpose of the Bill is to allow the Secretary of State that flexibility?

Steve McCabe: As I said at the outset, the purpose of the amendment is to probe the Minister to explain what has happened so far and why he is so confident that in the future he will be able to stick to deadlines that have not been kept to so far. We could simply settle on the date of 2023 as currently specified in the Bill, but it would be remiss of us both as constituency Members of Parliament and legislators to let that go through without being clear about what we have voted for and what the likely implications are. Hence I suggest we look at the date.

Grahame Morris (Easington) (Lab): These are important questions. I have received representations from a number of organisations, including National Energy Action, which points out that part of the rationale behind the original timetable was a cost-benefit analysis. It is concerned that if we were to delay roll-out as suggested, and as the Minister is advocating, the benefits to be enjoyed by consumers—particularly hard-pressed consumers on low incomes—would be delayed. Whatever the arguments on supply, there is a cost to consumers. We need to consider that carefully and, as some of the witnesses argued, whether we need another cost-benefit analysis, or whether that would delay the process even further.

Steve McCabe: There is a new clause to be considered later that would provide for a fresh cost-benefit analysis, partly on the basis that with the most recent one there was a significant downward revision of the benefits identified. Clearly, to let the programme trundle on, without any idea of the costs and benefits, might mean that we are doing constituents and customers a severe disservice.

As I was saying, the roll-out has reached the stage of about 15% coverage, with three years to go. The Government are on record as saying, only last month, that nearly 350,000 meters are being installed each month; but to reach 100% coverage by 2020 more than 40,000 meters a day need to be installed. That is a 70% increase in the installation rate.

Stephen Kerr: I am a little confused; perhaps the hon. Gentleman can help me. Is the objective to offer smart meters to every one of the 53 million establishments by 2020, or to complete installations? Currently an offer is being made, and there is no mandate on consumers to install a smart meter. I am not sure that it is possible to have a target of 100% completion by 2020 on the basis of an offer to consumers.

Steve McCabe: The Minister may want to help the Committee with that, but my understanding is that he has an installation target. Clearly there will be people who refuse to accept smart meters, and that will inevitably affect any overall figure; but, as far as I understand the matter, the Government have an installation target. My point is that if they need to achieve a 70% increase in the daily rate, that does not seem to be likely or credible; it is not on the cards. However, the Government are adamant that the 2020 target is achievable—a sentiment that the Committee will remember was echoed by some of the witnesses we heard from on Tuesday. I think that we need to hear from the Minister how he will achieve that.

A recently circulated myth-busting document from the Department for Business, Energy and Industrial Strategy says it is a myth that the Bill

“is just a means of extending the roll-out until 2023.”

It states:

“Reality: Energy suppliers remain legally obliged to complete the roll-out by the end of 2020.”

If BEIS is right in its myth-busting, why does the Secretary of State need such an extension of powers to develop, amend and oversee regulations relating to smart meters? If the energy suppliers are legally obliged to complete by 2020 and it is a myth to suggest that the Bill is simply about creating an extension, and BEIS is confident about that, why are we here discussing an extension to 2023?

Dr Alan Whitehead (Southampton, Test) (Lab): Will my hon. Friend consider myth-busting the myth-busting? It is not the case that all suppliers are legally required to install smart meters by 2020: it is those suppliers who are under an obligation, because they have more than 250,000 customers, to pay and take part in green and social tariffs. Suppliers with fewer than 250,000 customers have a target to supply by 2020, but are not legally obliged to do so. That may be of use to my hon. Friend in considering the target itself. The fact that some companies do not have the same obligation may be cause for further thought about whether targets will be reached.

11.45 am

Steve McCabe: I am extremely grateful to my hon. Friend for that observation. Unfortunately, I have relied on the wording of the Department for Business, Energy and Industrial Strategy and its myth-busting document. However, it is very helpful to hear what my hon. Friend has just said and it would be extremely helpful if the Minister took that point on board when he seeks to enlighten the Committee on how we will proceed.

What will happen to energy suppliers if they fail to meet the roll-out targets by the end of 2020? So far, the Government have indicated that the reasons for the extension are

“to remove delivery barriers, protect consumers, and help households and small businesses continue to get the most from their smart meters once installed.”

We heard on Tuesday that some customers cannot possibly be getting

“the most from their smart meters”,

because once they are installed and the customer switches provider, they cease to be a functioning smart meter. So I can see why the Minister is keen to address that problem.

[*Steve McCabe*]

Perhaps the Minister would be kind enough to explain to the Committee exactly how an extension to 2023 helps achieve each of those stated aims. If the target for installation is going to be met by 2020, as BEIS asserts, there will be no “delivery barriers” to remove. Also, it is unclear what protection the Government think customers would need in relation to the roll-out, unless it is specifically about this question of the problem that arises when people try to switch providers.

Dan Carden (Liverpool, Walton) (Lab): Surely this delay in the roll-out, potentially to 2023, would also have a significant effect on the Government’s cost analysis. We have heard about the astronomical sums of money that are involved in the roll-out. Has my hon. Friend had any indication of what a delay would mean for the cost of this scheme in the future?

Steve McCabe: I hope that before the Committee concludes its business, all of us here will have a much better understanding of exactly what this programme currently costs and what it is likely to cost by the time of completion. I was quite taken aback at the evidence session on Tuesday when one of the witnesses told us that the cost to the customer had already gone up in 12 months from £5 to £13. If we multiply that increase over the period of the extension that is now under discussion, we can see that, far from being a measure designed to cut the energy costs for consumers, the Bill could well load cost after cost on poor people who are already struggling to pay their energy bills.

That is one of the reasons why, in discussing the Bill and deciding whether to give the Minister this extension and these approvals, we need to be absolutely clear what we are committing to. It is on us in this Committee to determine whether we are genuinely standing up for customers, or whether we are considering the implementation of a programme that is primarily designed to provide benefits to suppliers, in the sense that the suppliers are meant to make the savings and then pass them on to the customers. If we were to end up in a situation whereby the benefits to the customer are not realised and the costs to the customer rise exponentially, that would be a disaster and a total dereliction of our responsibilities.

Dan Carden: Yesterday, we sat through the Budget and heard very specific sums of money being put here, there and everywhere. Is it my hon. Friend’s understanding that the budget for the roll-out of smart meters is unlimited?

Steve McCabe: Again, I defer to the Minister; I genuinely look forward to hearing his explanation of this situation. It is my fear that, although the budget may not be unlimited, the costs are loaded on the consumer and the costs to the consumer could be unlimited. We could find that, instead of protecting people, we are loading them with costs into the foreseeable future.

The Chair: Order. There is potential to go into a large number of issues on this amendment. I would be grateful if hon. Members, as far as possible, focused on the terms of the amendment we are debating and others in this group. We will have an opportunity later to discuss some of the wider issues.

Steve McCabe: I am grateful for that guidance, Mr Gapes. Of course, the amendments are about restricting the date.

Interestingly, not one expert witness we heard from gave a clear reason why it is essential to agree a date of 1 November 2023. What I really want to know is, what is so important about that date, given that 2020 is the key year for the project? Is it arbitrary or pragmatic? It just happens to be five years in the future, and it might reasonably be expected that a great many of those currently connected with the delivery of this programme will have moved on to other things after that time—they might not be quite as culpable or responsible as they would be if the date were a bit closer. Can the Minister offer any additional insight about why he chose that specific time?

I am pursuing this matter because it is my contention that the project is littered with set-backs. I am conscious that the Minister inherited this brief recently, and I certainly do not hold him responsible for what has happened to date. None the less, the main national roll-out was initially intended to begin in 2014 and be complete by 2019. In 2013, the then Secretary of State, the right hon. Member for Kingston and Surbiton (Sir Edward Davey), announced that he was putting the start date back to 2015 and the completion date back to 2020. He said:

“The consistent message was that more time was needed if the mass roll-out was to get off to the best possible start and ensure a quality experience for consumers.”

Well, he gave them that extra time, and here we are with a Bill that says, “Give us more time again.” That is the situation we have arrived at.

It is probably fair to say that the industry, especially the suppliers but also the middle men—the asset providers, to whom I am not quite so well disposed—wants certainty, and I am not at all convinced that the 2023 date provides that. It simply extends the completion date. Surely the Minister can see that it makes no sense to insist on a target that nobody believes in and simultaneously create a provision in the Bill that allows it to be extended beyond 2020. It is tantamount to saying, “Don’t worry—we are not really serious.”

Grahame Morris: The arguments for extending the roll-out period are contentious. I refer my hon. Friend and the Committee to the evidence that Mr Derek Lickorish from Secure Meters gave when my hon. Friend the Member for Liverpool, Walton asked that question. Mr Lickorish identified two impediments: one technical and one commercial. He argued that the 2020 date was achievable, and said:

“I think that Ofgem ought to be able to bring the people round the table who can solve these”

commercial and technical

“issues. I do not think they are particularly visible at the moment.”—[*Official Report, Smart Meters Public Bill Committee, 21 November 2017; c. 37, Q68.*]

So there are mixed opinions about the feasibility of the benefits of extending the period. The Committee needs to be convinced of the benefits of allowing a longer roll-out period, because the experts who presented evidence to the Committee were not absolutely clear and of one mind.

Steve McCabe: I am grateful for that. That is exactly the point I have been endeavouring to establish. I cannot see how the Minister can reconcile an insistence by his

officials, which he is forced to mouth on occasions, that the roll-out will complete by 2020 and at the very same time take powers to extend it to 2023. The point questions exactly what is going on.

I can think of various projects that Governments have insisted would complete on time and within cost over the years—I will not go into them in detail—but of all Governments this one is littered with projects of this kind where the plug is ultimately pulled, particularly on IT projects, and usually after enormous cost to the taxpayer. The main difference here is that the enormous cost, as I said earlier, is to the consumer. We are putting the cost directly on to the consumer.

My fear is that unless the Minister—I am hoping genuinely that he will be able to do this today—can offer a convincing explanation for why he has selected 2023 as the period of his extension, unless he can give an assurance that we have not yet heard of what has changed to make this completion target very likely now, and unless he can offer a convincing explanation for what has gone on before, I do not see how in all conscience we can be confident that we are making the right decision.

Grahame Morris: To clarify the point about costs—

The Chair: Order. Just a moment. I do not want to stray from the terms of the amendment. If the hon. Gentleman wishes to intervene, can he keep specifically to the group of amendments?

Grahame Morris: Yes, Mr Gapes. On the amendments and the arguments for changing the date and extending the roll-out period, part of the argument being put by my hon. Friend relates to the cost consequences. I simply wanted to identify what those costs were, as presented to the Committee. Is that in order?

The Chair: That is for later. When we discuss other matters it will be in order. I would rather not have a general debate on the amendment. We can have a debate on other clauses as we consider the Bill, but I do not wish us to have a general debate at every point. If interventions can focus on the amendments before us at this time, it will be helpful.

Steve McCabe: Thank you, Mr Gapes. As I indicated at the outset, I am not opposed to the smart meter programme. I do not regard these amendments as wrecking amendments. I hope the Minister will accept that they are deliberately probing because they seek to establish, as I was saying, why we should have confidence in the new date and what the justification for the time period is, as well as how we can understand what has happened and how we can be confident that things have been put right so that the process will not continue to repeat itself.

One of the consequences of such repetition would be escalating costs. I suspect that that is the point that my hon. Friend the Member for Easington was referring to. *[Interruption.]* My hon. Friend has just passed me the evidence from Mr Lickorish, which points out his extreme concern about the way these costs will escalate. However, I think it will be better if I stay with the date.

The Chair: Yes, it would.

12 noon

Steve McCabe: I simply say that my fear is that we could end up agreeing a timescale that does not have safeguards or an obvious justification, which in itself is an opportunity for further delay and is perhaps a recipe for failure. I ask the Minister: would it not be sensible, at this point in the roll-out of the programme, to send a clear message to the industry, consumers and everyone that an extension until 2023 is needed and to make it absolutely crystal clear why that date has been chosen and what will happen in that period—or whatever period BEIS picks? It has been interested in other dates in the past, but now it thinks it should be 2023. Would it not be sensible to send a clear message to the industry, so that we can ensure that the benefits of the programme that the Minister intends are actually realised?

If it is not possible in all conscience to do that and to convince the Committee that we are on track for that outcome, would it not be sensible to revert to the 2020 target and to actually develop a sense of common purpose that says to all those people engaged in the programme, “You said you could do this. We are telling you that 2020 is the delivery target. We are absolutely clear that that is where we are heading”? Would it not be sensible to stop the backsliding and to say that what we actually want is to deliver what we are telling the public we are capable of delivering? We simply cannot have it both ways; we cannot be emphatic on both points. There is either an achievable deadline of 2020, and all the statements from the Department are believable, or that deadline is unachievable and the Minister needs to set a new deadline, explain it and justify it and convince us that that one is deliverable.

Dr Whitehead: My understanding of my role, with regard to the amendments, is that I am not summing up on behalf of the Opposition but speaking in support of the amendment put very ably by my hon. Friend the Member for Birmingham, Selly Oak just a moment ago. Before I say anything else, I need to emphasise, as my hon. Friend did, what the Opposition think about the Bill as a whole and what we think about smart meters and their roll-out.

We need to be clear from the start that we are certainly not opposed to the Bill overall and we are certainly not opposed to smart meters. We think that smart meters are not only a desirable but a necessary part of the process of smartening up our energy systems as a whole, and that they will have considerable benefits for both consumers and the energy system as a whole when they are rolled out.

We are also anxious to see that that roll-out proceeds in a timely fashion and that we have a substantial coverage of smart meters at the earliest possible stage, so that those benefits can start to be realised. Indeed, as we heard in oral evidence, there are quite a few issues relating to how many smart meters need to be installed in order for those benefits to start rolling out. Getting those numbers in is an important part of the process of realising benefits for the future.

The amendments we are talking about, and indeed clause 1, are about the process of changing the date by which time licensable activities will have ceased from 2020 to 2023. Whether or not it was a wholly wise idea, the 2004 and 2008 Energy Acts and subsequent regulations

[Dr Whitehead]

specified a date for those licensable activities to end, so after 2018 the Government will have no control over what goes on. Everybody knows that in 2018 we will still be at a relatively early stage of the roll-out. It is impossible to conceive that it would be wise to continue with the original timetable, so we support the idea of specifying a more satisfactory date in the statute book.

The date specified in the Bill is 2023, but as my hon. Friend the Member for Birmingham, Selly Oak pointed out, that does not appear to coincide with the Government's publicly stated ambition for the end of the roll-out. I say that with caution, because their statements about the roll-out have changed over time, but they have always revolved around the idea of ending it in 2020. There has been a lot of talk from the Government about 53 million smart meters being installed in homes by then. Indeed, the "frequently asked questions" page of the Smart Energy GB website states:

"By the end of 2020, around 53 million smart meters will be fitted in over 30 million premises (households and businesses) across Wales, Scotland and England."

However, the Government have changed their position; they are now saying that by the end of 2020, 53 million customers

"will have been offered a smart meter"—

a very different proposition. We could interpret that as 53 million people being offered a smart meter by 2020, but only 10 million having them installed, although I assume that that is not what the Government mean. That statement may be meaningless or meaningful, depending on what happens before the end of 2020 and on a variety of issues that will appear along the road, many of which the Committee will examine in its consideration of the Bill.

Stephen Kerr: Does the hon. Gentleman agree that if the word "offering" really suggests something voluntary on the part of the consumer, any targets set beyond that level are fairly redundant?

Dr Whitehead: Not entirely. That is one interpretation of the word "offering". If we adopt that theoretically interesting but practically difficult interpretation, what are we doing here, worrying about the roll-out? Provided that we can ensure that the chosen vehicles for the roll-out—the energy supply companies—can at some stage up to the end of 2020 tick a box showing that they have contacted Mrs Miggins of Acacia Avenue and Mr Bloggins of somewhere else, and asked them "Do you want a smart meter: yes or no?" and those people answered, "Hmm, I don't know," that is the end of it. Presumably we could end up at the end of 2020 with 20% coverage and a small number of meters rolled out.

Grahame Morris: I am following my hon. Friend's arguments about critical mass and the number of people participating. Does he have a view about why Northern Ireland is not in the scope of the Bill? With regard to Scotland, the hon. Member for Stirling pointed out that it was because of problems with internet coverage, and so on. Is there a similar issue with Northern Ireland and is that relevant to helping to achieve critical mass in the number of people who apply?

Dr Whitehead: I can only surmise that because there is an all-Ireland energy network system, which has different protocols from the UK system attached to it, there may be different circumstances for smart meter roll-out in Northern Ireland, so that what we are considering does not apply. Obviously it is proper for it to apply to the whole of the rest of the UK—Scotland as well as England and Wales—because energy is a reserved matter.

To return to the question of what it means for everyone to be offered a smart meter, I hope that the Minister will be able to clarify matters this morning, but we surely cannot mean that the whole obligation for the roll-out will be discharged by doors being knocked on and someone saying something. From the outset, we cannot mean that, because of the whole twofold purpose of smart meter roll-out. Yes, the smart meter goes into the home, but additionally the data that comes from the installation has, to a considerable extent, a life of its own. In aggregate it drives, to a substantial degree, the future energy system, in terms of how smart the system becomes and the use of the aggregate data to inform decisions about grid strengthening, local network arrangements and all sorts of things to smarten up the whole system—a system that smart meters are only a part of.

If the smart meter installation programme is pursued on the basis of just making a desultory offer, the result will be way below the critical mass necessary for the overall aggregate data to work properly and lead to decent decisions. At that point £11 billion or some such amount would have been wasted on nothing much.

12.15 pm

Mark Pawsey (Rugby) (Con): Is the hon. Gentleman making the case, then, that consumers should have no choice in the matter, and that the installation of a smart meter in everyone's home should be obligatory?

Dr Whitehead: No, I am not making that case, and I am deliberately not making it, because, as has been emphasised in the evidence sessions and on a number of other occasions, the smart meter programme is voluntary. People do not have to have a smart meter in their home if they do not want one. By the way, in the future that will create some difficulties and expenses for energy supply companies inasmuch as they may have to run a dumb meter inspection programme, as it were, alongside a different meter management programme for smart meters. Nevertheless, that is the position that all of us have taken from the beginning. The smart meter programme is not compulsory.

I am reminded of a visit I undertook some while ago with the then Energy and Climate Change Committee, where we talked about smart meter installation in the US. In some states, they had sheriffs and marshals on hand to ensure the installation of smart meters in particular people's homes.

The Chair: Order. That is very interesting, and it is enlightening in many respects, but I will be minded not to permit a clause stand part debate if we spend so much time discussing this amendment and the clause generally. It is very interesting, but I hope we can focus a little more narrowly in order to have a wider clause stand part debate later.

Dr Whitehead: Thank you, Mr Gapes. I am happy to follow your guidance. In my defence I can only say that I think I was led by an intervention into an interesting anecdote about what happens in the United States as far as meter installation is concerned. I will endeavour not to go any further on that.

We have a smart meter installation programme that is voluntary and, at the same time, we need a proportion—not 100% but quite a lot—of smart meters installed in order to make the programme work by having worthwhile aggregated data, so we clearly need to put a lot of effort into ensuring that the benefits of the programme are explained to the public. The evidence suggests that the public overwhelmingly like smart meters when they are introduced and that they want to have them in their homes. We therefore need to make a lot of effort over the period to ensure that the two ends—the voluntary nature of the programme and the need for substantial roll-out—can be reconciled. That will constitute much of our debate over the next few sittings. What is it that we need to be doing and should be done, but perhaps has not been done to ensure that the roll-out programme gets its output properly organised and smart meters installed?

The first question is about what we mean by an offer for everyone to have a smart meter. We have gone over that for a little while, and I am sure the Minister will have something to say on that. We then need to consider what we mean by the 2023 date in the Bill. I have four possible explanations as to the thinking behind that date.

The first is that we may not actually meet the roll-out date of the end of 2020, so we may need Government control to continue up to the end of 2023. Let us remember that this is about Government control of licensing arrangements for the whole roll-out. We may need that control to continue to deal with the eventuality that the roll-out date is changed. We may, at some future date, say that the new target is 2021, 2022 or whatever, and that we still need that control in place. We do not want to be here in 2023—I probably will not be here, but other hon. Members may be—going through this whole thing all over again and saying that we would like to have that control extended to whatever date.

The second is to do with the remedial action that may need to be taken if smart meters are just offered up to 2020 and the offer proves to be just that. Conceivably, given what the Government have said is their aim for the roll-out, we may reach the target date for their offer to be made—the end of 2020—and it may turn out that it is not really a roll-out at all and that we need to do various other things. Perhaps the 2023 date is there so that we can consider what to do in the eventuality that the offer turns out to be not very good at all.

There is also the question of what is happening with the specification of smart meters. We will look further at that, but it is pertinent to the roll-out date. As we heard in evidence, the Data Communications Company is supposed to control everything as far as smart meters are concerned. It will receive and organise data, it will communicate between the centre, the smart meters and the many networks, and it may well be responsible for further patching networks to ensure that wide area networks work. All that will be done through the DCC. It was always necessary for the DCC to start its roll-out to enable smart meters that have been installed and

those that will be installed to connect with it and therefore go live at the earliest possible date. However, the DCC systematically failed to go live when it should have done. It repeatedly announced delays in going live. It eventually went live in autumn last year, under circumstances in which most of the industry raised substantial eyebrows.

Grahame Morris: We are dealing specifically with dates and with whether we have a justification for extending the roll-out period by three years. As my hon. Friend indicated, we are talking about huge sums of money. That may not be public money from the Treasury, but the consumer will certainly bear the scheme's cost, which is of the order of £12 billion. It is relevant that the DCC, which is the company responsible for delivery, and the framework and arrangements that sit around it—the Minister seeks to amend some of the terms of those, particularly the dates involved—are fit for purpose. Is the DCC a stand-alone company or a subsidiary of a larger group or company?

Dr Whitehead: My hon. Friend asks two questions, one of which I fear is a little outside the scope of the Bill—

The Chair *indicated assent.*

Dr Whitehead—as you indicate, Mr Gapes. I would very much like to expatiate on what is happening with the costs of smart meters, but I think I would not be able to continue down that path very long before being guided kindly away from it. There is certainly an issue about the extent to which costs are transparent and manageable—and stand-alone or controlled by an outside source. The DCC is not a stand-alone company. It was set up in order to run all these things, and was then effectively auctioned out to a company that could run it, and the successful bidder was Capita plc. As far as running the systems is concerned, DCC is effectively a subsidiary of Capita plc. Again, that may be an issue that we want to return to later.

The Chair: But not now. Any interventions should be on the specific issues in the amendment, not on Capita or anything related to it.

Dr Whitehead: Indeed, Mr Gapes, and I would not want to go down that path either.

Grahame Morris: I am certainly not going to challenge your patience, Mr Gapes—

The Chair: No, you are not.

Grahame Morris: This specifically relates to the date.

The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Richard Harrington): The hon. Gentleman is past the point of no return.

Grahame Morris: That is certainly not my intention, Minister. My point relates to the amendment, the justification for extending the date by an additional

[Grahame Morris]

three years and whether the delivery vehicle is fit for purpose. Was my hon. Friend surprised, as I was, when the witnesses told us that only 250 units had gone live to date? Does that imply that the company is fit for purpose?

Dr Whitehead: I thank my hon. Friend for that intervention, which is absolutely bang in scope.

The Chair: Yes.

Grahame Morris: I managed to hit the target!

The Chair: For once.

Dr Whitehead: As my hon. Friend points out, and as I was suggesting before I was slightly diverted down a different route, DCC went live last autumn, but in the going live report, there were about eight pages of workarounds—things it had not sorted out yet. It only went live in part of the country, and was fully live in all parts of the country after autumn 2016. If it had not gone live at that date, the company would have suffered considerable penalties, so that was as late as it could be within the window of when it could go live without going into default. That, among other things, has caused considerable difficulties with SMETS 2 meters replacing SMETS 1 meters as the main kind of meter deployed up to the end of the roll-out in 2020. The SMETS 2 meters have a marginally different specification from the SMETS 1 meters and are allegedly much better at interoperability and intercommunication—

The Chair: I remind the hon. Gentleman that amendment 12 on that issue is to be debated after this one.

Dr Whitehead: Indeed. I will want to say one or two things on that amendment.

As we heard in evidence, only 250 SMETS 2 meters are fully operational, and we are supposed to have 39 million SMETS 2 meters up on walls by the end of 2020. That does not strike me as a terribly good start. The years are concertinaing into each other and we are running up to 2020.

12.30 pm

That relates directly to my third thought about why the 2023 date may be required. There could be such concern in Government about the fact that SMETS 2 meters are not appearing in the way they should that an extension is needed to accommodate the roll-out problem. That is to say that there may well be a hiatus when the SMETS 1 meter installation comes to an end and the SMETS 2 meters, for various reasons that we may go into in greater depth, are not yet fully available, and there may well be a problem of empty vans going around with nothing to install for a period.

Steve McCabe: Is the scenario that my hon. Friend depicts not the reason why the Minister has to explain fully the purposes of the timescale he has selected? That is exactly what some of us fear.

Dr Whitehead: Indeed. I hope the Minister will say something reassuring about that, and I am sure he is fully ready to do so.

The final important issue to do with the date is the number of appointments that energy suppliers are making—due to expressions of interest or otherwise—to put a smart meter up on a wall. We heard in evidence from Smart Energy GB about what it calls a pan-supplier customer funnel. That is a fancy way of saying that there is an enormous difference between people who say they would like a smart meter and people who actually get a smart meter at any stage of the installation proceedings. The number of installation appointments booked by energy companies looks very different from the position at the point of interest being expressed and people saying, “I would like a smart meter in my home. When are you coming to install it?” It is not a question of whether people want a smart meter, but whether they get the smart meter on the wall after they have said they want one. That appears to be a continuing problem in the roll-out.

Indeed, if hon. Members look at page 19 of the cost-benefit analysis from the end of 2016, they will see how considerations are changing with regard to the installation profile of smart meters up to the end of 2020. We may need another cost-benefit analysis in the not-too-distant future. As new cost-benefit analyses emerge, and as more information on the ground comes to light, the profile changes. I do not wish to repeat the theory of the four cups on the table from our evidence session, but hon. Members can see from a graph in the cost-benefit analysis the change between the profile of the roll-out and the profile in the cost-benefit analyses of 2014 and 2016: the mountain gets steeper and steeper as we come to the end of 2018 and the beginning of 2019.

It is suggested that a roll-out of some 15 million a year will be necessary in 2019 to get the programme on track in the way we all want and hope. A number of people think that that roll-out profile—a roll-out by the end of 2020—verges on the improbable. That is the fourth—and last, you will be pleased to hear, Mr Gapes—reason that I put forward for why 2023 has been decided on. The question is how that reflects on the roll-out, the communications, the offer and the ability of the whole system to work properly as far as future energy systems are concerned.

As the Minister is itching to tell us which one of the four is the actual reason—or perhaps it is all four or something else; I do not know—I will give him the opportunity to do that, but I hope that we can start the Bill with a very clear idea of what we are talking about as regards the 2023 date, because that will inform the rest of our discussions.

Richard Harrington: The shadow Minister took my “itch” comment correctly. I was, as Mr Speaker would call it, mumbling from a sedentary position.

Mr Gapes, I understand fully your rulings on scope. There are points from hon. Members on both sides of the Committee, and particularly Opposition Members, that I would like to speak about, but the issues raised are not within the Bill. If they would like to meet me separately, either formally or informally over a cup of tea, I would be very happy to do that, because I am

absolutely obsessed with smart meters, and that is my job; the hon. Member for Birmingham, Selly Oak, who spoke so eloquently, and I have met to discuss the subject. I took on this project quite recently, and I am determined to make a success of it, as are the officials. In my admittedly short and less than illustrious ministerial career, I have never come across people with such enthusiasm and energy for the project. We want to get it right, and I accept fully hon. Members' statements that the amendments are not designed to wreck the Bill. The expression used is "probing". We have heard very genuine comments and questions, and I will do my best to answer them.

I was going to make a longer speech. I thought that in the first bit of it, it would be better to put on record what the whole Bill and smart meter programme is about, but in the spirit of your ruling that Members' contributions have been outside the scope of the Bill, Mr Gapes, I think I would be pushing it, but I would have liked to have done that; I would like to put that on record, anyway.

The Chair: Try, and see where you get to.

Richard Harrington: Well, I would like to make it very clear—this is absolutely within the scope of the Bill and the amendments—that the purpose of the Bill and clause 1 is not to give the Government more time because they or the companies are behind on targets. It really is not; it is to extend the existing powers of the Secretary of State to do quite a lot of things. I will not say this again unless I am asked, but it is not to give the Government more time. Hon. Members' comments have often probed that point, so I thought I should make that absolutely clear, and then happily go through the measure.

I have seen in my business life quite a lot of targets. They are called hockey sticks. When we look at a business plan, or any plan, suddenly next year seems so fantastic compared with this year, and all of a sudden we wake up on 1 January and say, "Oh great, we're going to do five times as much as we did in November." I must say that when I first looked at this plan, that was my thought. It is my job to be cynical. Just as it is the Opposition's job to be cynical with regard to me, it is my job to be cynical with regard to officials on the programme; that is what the system exists for.

Grahame Morris: Will the Minister clarify something? I am slightly confused. If the purpose of the measure is not to give the suppliers more time to meet their obligations, what is the justification?

Richard Harrington: I repeat that it is absolutely to extend the Secretary of State's powers. I was going to mention the 2023 issue and the reason for that. In fact, I scribbled myself a note to answer the hon. Gentleman's comments about it. So as not to repeat my own scrawl—in fact, I will repeat my scrawl later, because I cannot remember where I put the note.

On the 2023 issue, a lot of things in the powers are not about the targets. Richard Milhous Nixon, whose biography I have just been reading, said, "If you've got them by the balls, their hearts and minds will follow." I do not know if that is unparliamentary; if it

is, I apologise. We could easily say, "That's it; we will leave those powers, because then they will do it", but that is not what is happening. I am not a fan of Richard Milhous Nixon, for those who might think that, but it struck me that that often in life, that is why people do things.

A lot of things in the powers that are needed will be involved in winding up. I will cover them a little bit later. I do not think it would be possible for any organisation to suddenly give a date—31 December or November or whatever—when the powers run out and that is it. A lot of the things involved go beyond the target. The targets are made with the suppliers. It was asked what happens if suppliers do not do this. There are powers to fine; the regulator has powers to fine suppliers, from memory—if I am wrong by a bit, I will correct the record—10% of turnover if they do not comply with the agreed targets.

Steve McCabe: Will the Minister give way on that point?

Richard Harrington: Go on—I cannot resist the hon. Gentleman.

Steve McCabe: It is a very simple question. The Minister says the regulator has those powers, but is there any evidence that they have been exercised?

Richard Harrington: They have not needed to be yet, but they are there. The hon. Gentleman does not mention—no one has given any credit for this—the 7 million smart meters that have been installed. That is quite a lot of smart meters. I have seen the programme that has been put out, and having spoken to so many of the companies and organisations involved, I am satisfied that it is a realistic target. I had better make some progress; I will not be able to address his amendment properly unless I do.

For me, this is the most significant thing that has happened in electricity, but also in power supply to homes, since Edison or whoever it was—hon. Members will have to excuse me; it is a long time since I did it at school.

Grahame Morris: Swan.

Richard Harrington: That is right. Swan was not matches then.

The Chair: Order. Let us get back to the Bill, please.

Richard Harrington: Let us get back to business straight away. I was tempted by the hon. Gentleman.

This is a precursor to a smart grid through which everyone—poorer people, richer people, businesses, houses—will be able to make real choices all the time. They might have computer programmes or apps to do it for them. Our children and grandchildren will not talk about SMETS 1 and SMETS 2, as the shadow Minister does in day-to-day conversation over breakfast. They will just look at what they are paying for their power every half hour or whatever, and they will know. That is why we are bringing forward the Bill.

[Richard Harrington]

We are committed to ensuring that every home and small business has been offered a smart meter by 2020; I believe that was in the Conservative party manifesto, so it must be true. That is our clear policy, and it is what we are going to do.

Stephen Kerr: Will the Minister say exactly what “offer” means in that context? There is an issue over whether “offer” equals mandate, but we have clearly said that there is not a mandate or a requirement for consumers to have a smart meter.

Richard Harrington: It is precisely that: it is not compulsory, it is an offer, which is deemed to be people being told by phone or in writing that they can have a smart meter, as indeed I have been and am arranging for. I am sure many hon. Members in this room will be doing the same.

The extension of the powers proposed in the Bill will enable us to drive progress to the 2020 deadline, act on evidence to remove any emerging barriers to the roll-out and then—this is the important thing for the 2023 extension—to respond to the findings of a post-roll-out review, to ensure that the benefits for consumers are fully realised over the long term. Industry and consumer groups have made it clear that they see a need for Government leadership on this, which we hope we are providing.

12.45 pm

I know it is not customary to try to answer questions put by Opposition Members, but I will do my best—[Laughter.] On the point, among many good points, made by the hon. Member for Birmingham, Selly Oak about the costs to consumers increasing, the Bill does not change the existing roll-out deadline. Consumers start saving as soon as their smart meter is installed. By 2020 the next benefit means that consumers will save £11 a year annually, rising to £47 a year by 2030. We are monitoring the costs, as is the regulator.

Dan Carden: I hope that the Minister will respond to one of the points that Derek Lickorish made the other day when he said,

“It is no good having a target that nobody believes in...we need a recognition now that says, ‘We will look at all the issues and have a unity of purpose about what the targets should be’.”—[Official Report, *Smart Meters Bill Public Bill Committee*, 21 November 2017; c. 37, Q69.]

What proactive undertakings is the Minister proceeding with to bring the suppliers together to make 2020 a realistic date in this context?

Richard Harrington: I can reassure the hon. Gentleman that we speak regularly to the suppliers. In fact, yesterday morning I met a group of them. I think Mr Lickorish was there, but certainly others who gave evidence, Mr Bullen and Mr Salter-Church from Ofgem, were there. BEIS has regular meetings. I would not put my name or that of the Department to this target if I thought it was unrealistic. Hon. Members have referred to Mr Lickorish’s evidence showing some cynicism about it. The cliché on these occasions is, “He would say that, wouldn’t he?” I am sure it is a genuinely held belief, but it is the Government’s intent to make sure this happens. I would be hauled, as they say in the press, before whatever

Committee if the target is not met in 2020, or whatever the date might be—not 2023, because that would be on a different issue; that is not the target. But I might end up being accused of misleading the House, albeit not on purpose, and being told I was completely wrong and should pay the price. However, I am personally satisfied that the date is not as unrealistic as Mr Lickorish said.

The extension of powers has been mentioned, and I think I have stressed enough that is not because of failing to meet the target. The hon. Member for Liverpool, Walton said earlier that he was concerned that the cost to consumers from the smart meter roll-out could be unlimited. He was probably referring to poorer people in our constituencies, who currently do prepayment and might suddenly be hit with an unlimited charge by suppliers, justified or not. I want to make it clear to him and to everyone else that we are monitoring the costs all the time. The DCC, which is a natural monopoly, simply because it is the only company connecting smart meters, is subject to price control regulated by Ofgem, which has provisions for monopolies. The DCC is slap bang in the middle of that.

Grahame Morris: Is there not a danger that building in an overrun will inevitably lead to cost escalation? The estimates presented in evidence were an increase from £1.3 billion to £2.1 billion, and the overall programme is £12 billion, which I think Mr Lickorish told us was the equivalent of 10 200-bed hospitals.

Richard Harrington: Actually, concentrating the mind in the Nixonian way, the next couple of years will surely lead to reduced costs because of economies of scale, but we can discuss that another time. I will be happy to.

The shadow Minister said that small suppliers have a weaker obligation in relation to 2020. That is not quite true, although he did not intend to mislead us with the wording he used. It is exactly the same obligation. The only flexibility the small suppliers have been given is that they can deliver their programmes in line with their broader corporate strategy. We are allowing the smaller ones to be later in the programme because, unlike British Gas and others that have been mentioned, they have not got the bulk.

Dr Whitehead: Will the Minister give way?

Richard Harrington: The hon. Gentleman will have to excuse me. I am being told to make progress.

Amendment 1 relates to the Secretary of State’s power to modify the relevant electricity licence conditions and industry codes, which relate to the detailed regulatory framework, covering the activities of energy suppliers and network operators, and the data and communications licensee. It would cause those powers to expire at the end of 2020, which, again, has nothing to do with the target. I do not think anyone would argue that they should just disappear. I oppose amendment 1 because it removes the Department’s ability to conduct an effective post-implementation review, which, as I said earlier, we will need to do. The aim is for that to happen in 2021. The extension of powers until 2023 allows us to complete that exercise and implement the recommendations.

I know that this is a probing amendment, as the hon. Member for Birmingham, Selly Oak said, but I do not think he took those things into consideration.

He concentrated his comments on whether to extend the target, which I hope I have covered. In contrast, in the absence of the power we are asking for to modify the energy licence conditions and industry codes beyond 2020, we would have to bring the review forward. For it to be consulted on properly, and to provide the appropriate parliamentary process, it would be necessary to conclude the evidence gathering the year after next at the absolute latest, which as far as I can see would completely reduce the robustness of the assessment and exclude valuable evidence from the final stages of the roll-out. It would also prevent the consideration of longitudinal research exploring the impact of smart metering on consumer behaviour, which is what this is all about, and energy saving over the course of several years. If it were carried out before 2020, there would not be enough evidence. I believe smart meters will be absolutely revolutionary, and will change the way people use their energy bills. If hon. Members believe in smart metering—I am sure you have been persuaded, as the rest of us have, Mr Gapes, that this is a really good thing to do—and think it is not just a short-term thing, it is right that the Government can ensure that the regulatory framework is there and is fit for purpose for decades to come.

Amendments 2 and 4 would limit the period to which the Secretary of State can veto Ofgem's proposal to give consent to the transfer of the whole or of any part of the communication licence. Again, if the amendments were passed, the Secretary of State could prevent the transfer only up to the end of 2020. DCC's smart meter licences were awarded in 2013 for 12 years. The curtailment of that power would create an imbalance in the Government's arrangements of the smart metering programme, undermining our leadership role within it.

I know it sounds like we want it both ways, but the Government's role is absolutely central to this. We have to provide the leadership that we have been asked for. I do not want to risk having a situation in which a smart meter communication licence was transferred in a manner that conflicts with activities undertaken by the programme as part of its post-implementation review. It is necessary to extend the power to 1 November 2023 to retain coherence in the Government relating to the smart metering programme and to ensure that these activities are appropriately co-ordinated.

Amendments 3 and 5 would limit the Secretary of State's ability to introduce new licensable activities in relation to the smart metering roll-out. The power we are talking about was used to set up the provision of the smart meter communications service, which led to the granting of the DCC's licences. I want to make it clear that we have no specified or defined plans to use the power. Perhaps the hon. Member for Birmingham, Selly Oak will still argue that if the scenarios change, primary legislation will be needed to go through it again, and I understand that. However, I can see scenarios that could develop where we will need the ability to introduce new, licensable activities quickly, in order to overcome barriers and to ensure that the benefits are realised. Such situations can arrive relatively late in the roll-out or in the immediate post-implementation period.

Grahame Morris: Will the Minister give way?

Richard Harrington: I would rather make some progress.

Grahame Morris: I just wanted an example, that was all.

The Chair: Order.

Richard Harrington: I know we have four more days, but I would like to make progress on this particular point, although I will give an example that might be acceptable to the hon. Gentleman. As an example, it may be necessary to create new licensable activities to ensure that all premises can secure a home area network if that cannot currently be achieved. Technology develops, as do apps, different systems and inventions. It is for us to be able to act quickly so that there is flexibility for the consumer to take advantage of all those things.

Our current explanation is that we may know when solutions are appropriate and viable for these premises only towards the end of 2020 or even in early 2021. I must say, clearly, that we would use this power only after going through the normal policy development process, including consulting relevant stakeholders. I feel that I have done my best to make that point. It is for us to show leadership in this matter. The decisions taken up to now have driven this momentum, and whatever has been said on cynicism about the targets, the installation volumes are increasing dramatically and it is important that we can keep a robust regulatory framework that enables the delivery of the benefits.

It is vital that this work can continue and that the Secretary of State retains the powers available to him to direct the efficient delivery of the roll-out. I am sure that hon. Members will take these points into consideration, other than the target itself, which we have discussed. The last thing that hon. Members want is a cliff edge—they argue against cliff edges many times on the Floor of the Chamber—and the last thing that we want in this case is a cliff edge. I hope that the hon. Gentleman will find these arguments reassuring and that he will feel able to withdraw his amendment.

Steve McCabe: I am conscious of the time, but I want to be dead straight: I did not find that particularly reassuring, if I am honest. If hon. Members look through *Hansard*, they will find that I raised a number of questions that have not really been answered at all. As I said at the outset, the amendment was intended as a probing amendment, so I do not intend to push it to a vote at this stage. I recognise that the Minister is very sincere in his approach to this matter, but will he reflect on some of the points that have been made during this part of the debate? Perhaps at a later stage in Committee or in the Bill's progress, he will see whether he can be a bit more persuasive with the quality of the answers that he provides. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Ordered, That further consideration be now adjourned.—(Mike Freer.)

12.59 pm

Adjourned till this day at Two o'clock.

Written evidence reported to the House

SMB 06 Derek Lickorish MBE, Secure Meters,
Supplementary to oral evidence.