



The voice of the
smart meter rollout

Smart Energy GB Consumer engagement plan and budget 2018

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smartenergyGB.org

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The trading name of “Smart Metering Communications Body Limited” is “Smart Energy GB”. Any references in this document to “Smart Energy GB” or “the company” should be understood as referring to “Smart Metering Communications Body Limited”. Any references in the “Modifications to the Standard Conditions of Electricity and Gas Supply Licences, Electricity Distribution Licences and Gas Transporter Licences (Smart Meters) to the “Central Delivery Body” should also be taken as referring to Smart Energy GB.

Contents

| | |
|--|----|
| Executive summary | 4 |
| 1. Introduction | 6 |
| 2. The task in 2018 | 9 |
| 3. Metrics/targets for activation of GB adults in 2018 | 14 |
| 4. Other areas of 2018 PMF metrics/targets | 23 |
| 5. Principles to ensure maximum value for money and suitable return on investment across Smart Energy GB activities and budget in 2018 | 29 |
| 6. Marketing activity in 2018 | 37 |
| 7. Policy and communications activity in 2018 | 49 |
| 8. Operations in 2018 | 54 |
| 9. 2018 budget | 59 |

Executive summary

Executive summary

Smart Energy GB is pleased to present its 2018 Consumer engagement plan and budget, reflecting the task set for us in 2018 through our Performance Management Framework. Key points relating to the 2018 plan and budget are that:

- over 2018 Smart Energy GB has been tasked by Relevant Suppliers in our Performance Management Framework (PMF) with generating 23.5 million GB adults who state that they want to “*seek or accept a smart meter installation in the next six months*”
- this growth in the target seekers/accepters that we have been tasked with delivering in 2018 is the result of detailed modelling of the customer activation funnel (across all energy suppliers) by the group of Relevant Suppliers that set the 2018 PMF
- in 2018 we have also, for the first time, been tasked by Relevant Suppliers with activity to support further behaviour change amongst the millions of GB adults who already have smart meters. We have planned this extension to our role next year in such a way that we should maximise complementarity between our activity to support consumer activation and our activity to support usage behaviour change
- while therefore in 2018 our task is bigger, our plans drive even greater efficiency in a number of areas. Our overall working/non-working ratio in marketing activity in 2018 will be 85.7 per cent/14.3 per cent. In marketing activity in AV channels this will be 86.7 per cent/13.3 per cent. In support channels this will be 92 per cent/8 per cent and in digital channels 64.6 per cent/35.4 per cent. These are very efficient ratios.
- agency costs have been independently evaluated by AAR, who reported that both our key agencies (AMV BBDO and PHD) are delivering very good value for money across both their people and production costs. In addition, MediaSense’s bi-annual audit of PHD’s media buying performance has consistently reported exceptionally good value for money
- our PR plans deliver positive impressions in our GB adult targeted activity at a cost of £0.001 per impression, a rate which delivers excellent return on investment

1. Introduction

1. Introduction

The structure of the Smart Energy GB board is set out in the Standard Conditions of Electricity & Gas Supply, Electricity Distribution and Gas Transporter Licences (hereafter “the supplier licences”). The board’s membership is:

Independent Chair

- Mark Lund OBE

Elected by and representing Relevant Suppliers (large energy suppliers with over 250,000 domestic customers)

- Jane Bednall (also Chief Marketing Officer, SSE)
- Jean Fiddes (also Head of Residential Sales & Retention, E.ON)
- Peter Simon (also Product & Propositions Director, British Gas)
- Chris Thewlis (also Director of Customer Service & Sales, n.power)
- Stephen Veal (also Energy Director, Utility Warehouse)
- Shwezin Win (also Head of Value Creation for Smart Metering, EDF Energy)

Nominated by Citizens Advice

- Victoria MacGregor (also Director of Energy, Citizens Advice England & Wales)
- James Taylor (also Head of Policy & Public Affairs, Scope)

Elected by and representing small domestic energy suppliers

- Patrick New (also Retail Director, Ecotricity)

Elected by and representing non-domestic energy suppliers

- Steve Mulinganie (also Regulation & Compliance Manager, Gazprom)
- Lynn Morrison (also Head of Business Engagement, Opus Energy)

Representing the interests of energy consumers

- Mervyn Kohler (also Special Adviser, Age UK)
- Chris Macleod (also Marketing Director, Transport for London)

The Consumer engagement plan and budget 2018 has been produced in adherence with the objectives and other requirements regarding Smart Energy GB in the supplier licences.

The process for the development of the 2018 budget has been:

- Smart Energy GB working closely with the forum of Relevant Suppliers who set and supervise our targets, and performance against those targets, as set out in the Performance Management Framework (PMF); to support the delivery of research and analysis used by the PMF forum to consider suitable metrics for the 2018 PMF that reflect the licence objectives for Smart Energy GB
- providing the PMF forum with advice on the estimated major costs that will be needed for campaign delivery for potential 2018 targets, to support its consideration of those targets and decisions in adopting those targets with knowledge that they can be delivered at suitable value for money
- work by the Smart Energy GB executive team with expert advisers (as required by the supplier licences) to advise the Smart Energy GB board on the recommended activity and budget needed in 2018 to deliver against the 2018 PMF targets, and how that activity and budget demonstrates the efficiency and value for money that is demanded of Smart Energy GB in the supplier licences
- consideration by the Smart Energy GB board (at its board meeting on 26th October 2017) of the Smart Energy GB executive team's recommendations with scrutiny and amendment of the recommended plans and budget by the board, prior to the board's decision at that meeting to recommend its 2018 budget to members. For transparency, invited to the board's 26th October 2017 meeting to attend in an observer capacity were representatives of BEIS, Ofgem, the energy networks, and the independent chair of the PMF forum (Maxine Frerk).
- recommendation by the board that Smart Energy GB's members vote to approve the 2018 budget
- presentation of the 2018 budget to the company's members for approval, according to the procedure detailed in the company's articles of association
- approval of the 2018 budget on the 7th of December 2017

2. The task in 2018

2.1 Introduction

The targets against which our 2018 budget has to deliver are determined for Smart Energy GB by the PMF forum.

It is the Relevant Suppliers (that is those with over 250,000 domestic customers) who are required by their supplier licence conditions to set the metrics and targets in Smart Energy GB's PMF in order to determine the goals that Smart Energy GB's campaign has to achieve, reflecting our overall objectives as set out in the supplier licences to:

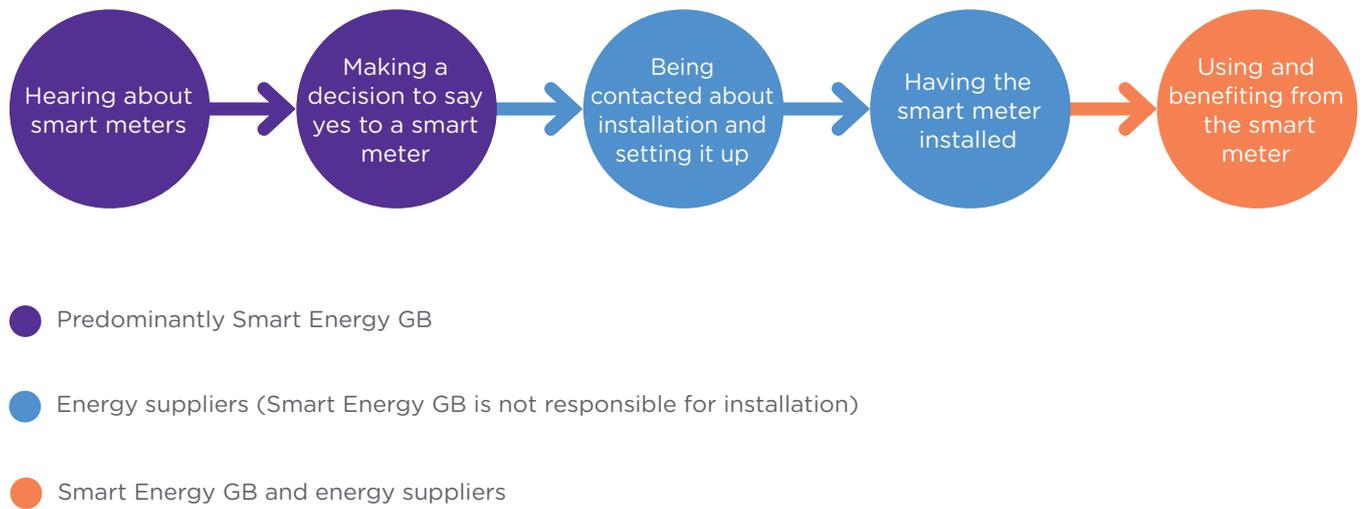
- a) build consumer confidence in the installation of smart metering systems by gas and electricity suppliers
- b) build consumer awareness and understanding of the use of smart metering systems (and the information obtained through them)
- c) increase the willingness of energy consumers to use smart metering systems to change their behaviour so as to enable them to reduce their consumption of energy; and
- d) assist consumers with low incomes or prepayment meters, or consumers who may encounter additional barriers in being able to realise the benefits of smart metering systems due to their particular circumstances or characteristics, to realise the benefits of smart metering systems while continuing to maintain an adequate level of warmth and to meet their other energy needs

As well as:

- where it is cost effective, to extend the consumer engagement activities undertaken by Smart Energy GB to also include the engagement of microbusinesses
- demonstrate cost-effectiveness and value for money in Smart Energy GB's activities

In determining the appropriate tasks for Smart Energy GB to be targeted with delivering in any given year, the Relevant Suppliers carefully consider the role of Smart Energy GB, alongside others involved in engaging and converting customers, in the smart meter installation and usage journey:

Figure 1: The smart meter customer journey and the role of Smart Energy GB and energy suppliers



The Relevant Suppliers who together set the PMF are:

- British Gas
- Co-operative Energy
- EDF Energy
- E.ON
- Extra Energy
- First Utility
- n.power
- Ovo Energy
- Scottish Power
- SSE
- Utility Warehouse
- Utilita

2.2 The governance of the PMF

Smart Energy GB's performance against the PMF targets through 2017 was reviewed by Relevant Suppliers at least every quarter in a meeting of the group of representatives of Relevant Suppliers that have been tasked with this responsibility; known as the PMF forum. PMF forum meetings are independently chaired by Maxine Frerk with the secretariat function provided by Energy UK.

Relevant Supplier attendees have tracked Smart Energy GB's on-going performance at the PMF forum's quarterly meetings through this year by monitoring performance against targets and also receiving updates on activities of Smart Energy GB. To support co-ordination and transparency of views between the PMF forum and the Smart Energy GB board, a representative of the Smart Energy GB board (Shwezin Win) was invited to attend all PMF forum meetings. Representatives from Ofgem and BEIS are also invited to attend every PMF forum meeting.

The PMF forum annually conducts a deeper review of annual PMF metrics and targets, and the need for any revision in those metrics and/or the glidepath of any targets beyond the current calendar year.

2.3 Development of the metrics and targets contained in the 2018 Performance Management Framework

In early summer 2017, the PMF forum agreed a timetable for the review of 2017 PMF metrics and targets, and decision making by the PMF forum on updates to those metrics and targets for the 2018 PMF.

A critical part of this review was conducting one of the most detailed analyses that has been undertaken to date of:

- a) the current operation across energy suppliers of the customer funnel for activation (i.e. the journey from customers being enthusiastic to seek or accept a smart meter, through their discussions with their energy supplier to book their installation, through to the completion of that installation)
- b) how energy suppliers plans for smart meter installations in 2018 update key ratios within the current customer funnel and thus clarify the task that PMF forum members would want Smart Energy GB to deliver in 2018 in conducting national consumer engagement to create a suitably sized pool of consumers with enthusiasm to seek or accept a smart meter installation

Reflecting the complexity and comprehensiveness of this analysis, it was conducted by a joint research team that brought together the mixture of skills needed to properly examine the information and data in the customer funnel; this team was drawn from research agencies Populus, Hall & Partners and Annalect. More details of the findings of this analysis are set out in Chapter 3.

Over summer 2017 a similar review was also conducted to analyse the microbusiness customer funnel in 2017 and projections forward for how that funnel will operate in 2018; to support decisions on microbusiness metric and target setting.

The PMF forum also considered detailed reports on recent coverage of smart meters in the media (print, TV and online), in order to understand the nature of recent media coverage of the smart meter product and government oversight of the smart meter rollout, and consider appropriate PMF metrics and targets relating to Smart Energy GB's PR contribution to this coverage in 2018.

The PMF forum considered recommendations from a group of behaviour change experts as part of its consideration of the appropriate goals for Smart Energy GB to deliver in 2018 against its objective to increase the willingness of energy consumers to use smart metering systems to change their energy behaviour.

The PMF forum also discussed the metric relating to assurance of value for money of Smart Energy GB's largest area of spend (media buy) to be included in the 2018 PMF.

The set of metrics and targets that drive the largest area of Smart Energy GB's activity are those relating to the activation of consumers, and so more detail of the analysis considered by the PMF forum in making their decision on those metrics is set out in the next chapter.

3. Metrics/targets for activation of GB adults in 2018

The PMF forum's process for identifying the appropriate metrics relating to Smart Energy GB's task in the activation of GB adults in 2018 started with an analysis by the PMF forum of the customer funnel as operating today, and as projected by energy suppliers to operate in 2018.

The aim of this analysis was to enable the PMF forum to identify the right planning assumptions that were relevant to the setting of 2018 PMF targets relating to domestic customer activation.

To contribute to this analysis, in July 2017 the PMF forum conducted a detailed consultation exercise with Relevant Suppliers who provided information on a range of issues such as technical eligibility barriers and energy supplier levels of conversion of customers who have sought a smart meter installation. Energy suppliers, amounting to c97 per cent of the domestic energy supply market, responded to the PMF forum's consultation (the analysts modelled up to 100 per cent of the market by assuming that the remaining 3 per cent would have provided similar responses to the smaller suppliers who responded to the consultation).

Complementing the information provided by energy suppliers in this consultation were two pieces of research analysing attitudinal data from consumers who had taken up smart meters or who had sought a smart meter installation from their energy supplier (but who may not yet have received their installation) conducted by Populus and Hall & Partners. This research established the hardest research proxy relating to consumer activation (i.e. that has been shown by research to have the hardest correlation to actual seeking and/or acceptance of smart meter action on the part of consumers.) which is that a consumer states that they wish to *seek or accept a smart meter in the next six months*.

Data that was provided to the consultation included:

- suppliers expect to have installed 10.0 million smart meters by the end of 2017 (2.1m operating in pre-pay mode and 7.9m in credit mode)
- currently 71.2 per cent of booked installs of meters go on to a successful install. This is expected to rise to 73 per cent in the second half of 2017 and 75 per cent for 2018
- domestic customers will be 21 per cent smart, 79 per cent non-smart at the start of 2018
- in 2017 53 per cent of households are eligible for a smart meter installation. In January 2018, 55 per cent of households will be eligible to have an installation (The key factor mentioned was the availability of DCC capability to enable rollout of SMETS2 meters). This rises to 83 per cent by November 2018
- 4.8m smart meters are planned by energy suppliers to be installed in the first half of 2018 and 5.5m in the second half
- there were no significant identified customer segments considered lower hanging fruit by energy suppliers
- there were no significant identified customer circumstances considered as automatically converted by energy suppliers

Figure 2: Energy suppliers want to complete installations in 6 million households in 2018. Installations are expected to increase further in 2019

The PMF forum consultation provided a consolidated view of smart meter installations to date, and projections of energy supplier intended installations into 2018 (which could then be modelled beyond).

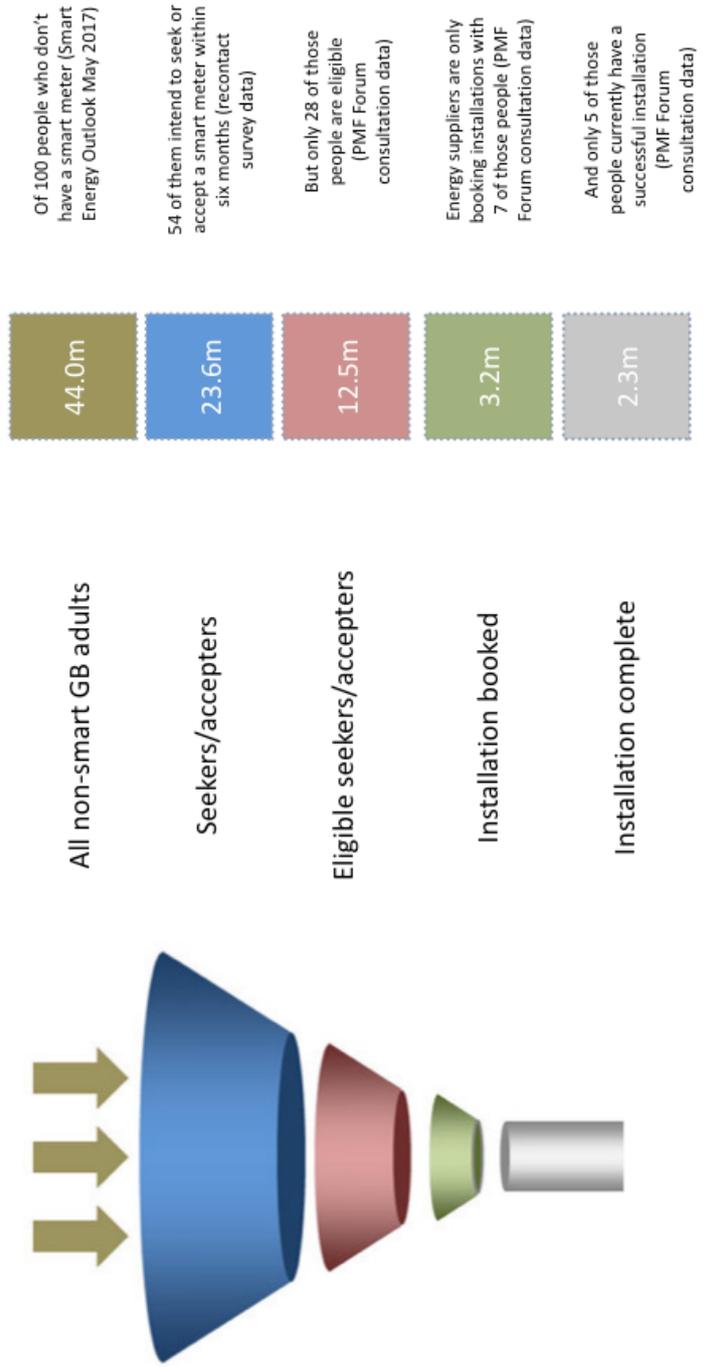


Source: Energy suppliers, BEIS, Outlook, Annalect Modeling

The analysts were then able to extrapolate from numbers of households to numbers of adults, and so allow the PMF forum to consider the operation of the customer activation funnel (across energy suppliers) in 2017, and in particular how the funnel in this year has needed to be the required size at the top (where Smart Energy GB has its role generating consumer knowledge of, and enthusiasm for, the smart meter product) in order to compensate for some of the inefficiencies further down the funnel caused by issues such as levels of technical eligibility, energy supplier readiness to book installations and current levels of successful completion of installations.

The operation of the customer activation funnel at May 2017 is set out in figure 3 on the next page.

Figure 3: The smart meter rollout customer funnel (May 2017)



Energy suppliers responding to the PMF forum's consultation projected some improvements in efficiency in the customer activation funnel in 2018, notably that eligibility will increase from the 53 per cent reported in May 2017 to 83 per cent by November 2018, and that the rate of bookings that then go on to a successfully completed installation will rise from 71 per cent in 2017 to 75 per cent in 2018.

This allowed the PMF forum to determine that the lower stages in the customer funnel will be getting more efficient in 2018, to the extent that energy suppliers believe that they will deliver a 15 per cent conversion ratio of consumers who are 'seeking/accepting the product in the next six months' in 2018 (up from 9 per cent in 2017).

This improvement drives some efficiency in the target number of seekers/accepters that the PMF forum can task Smart Energy GB with delivering next year, although this target in turn is determined by the PMF forum applying energy suppliers predicted 15 per cent conversion ratio against the numbers of installations that energy suppliers wish to complete in 2018.

The design of the smart metering rollout means that the task of the national engagement campaign; to generate sufficient knowledgeable and enthusiastic consumers (as determined by the Relevant Suppliers via the PMF forum) at the top of the funnel to fuel intended energy supplier conversions of those consumers, cannot be concentrated into any geographical area (unlike for example during the digital TV switchover, in which consumers were engaged and converted in an intense but rolling series of regional switchovers).

The reality of the rollout also means that predictions of technical eligibility and successful completion of installations made early in the rollout planning in the earlier part of this decade have proven different in reality. This means that the PMF forum has tasked Smart Energy GB with creating a larger pool of seekers/accepters in 2017 and in 2018 than might have been expected to be our task next year back at the time of the establishment of Smart Energy GB.

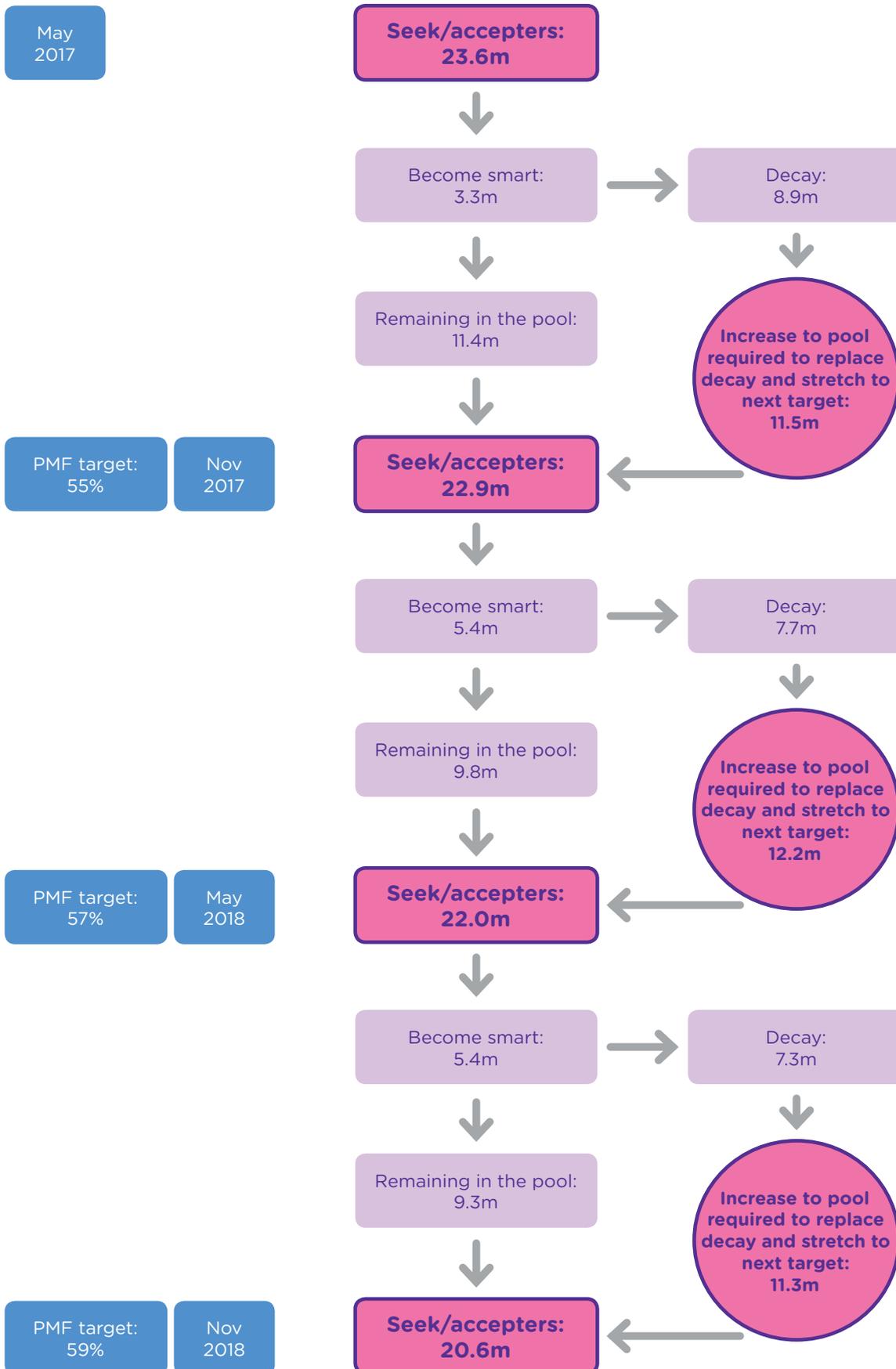
In giving us this task for 2018, the PMF forum carefully considered research analysis of the decay-rate of desire for the product of consumers who state that they wish to seek/accept a smart meter in the next six months but whose energy supplier does not manage to fit their smart meter in that time. This is important as it helped the PMF forum understand the extent to which seekers/accepters can be expected to maintain that status once achieved by our campaign, and the extent to which it will be a necessary part of our task to renew the enthusiasm of some in that group as their energy supplier may be slower to provide them with the product.

The PMF forum decided that targets against this metric should be 57 per cent of the non-smart population as measured at the mid-year and 59 per cent of the non-smart population as measured at the end of the year. These targets equate to 21.9 million GB adults at the mid-year measure and 20.5 million GB adults at the year-end measure respectively.

The diagram on the next page shows how those numbers relate to our task over H1 and H2 2018, and how this compares to the task that we have been set with achieving in the second half of 2017. You will see that:

- in the second half of 2017 our campaign is generating a further 11.5m GB adults who want to seek or accept a smart meter installation in the next six months in order to meet the PMF target of a total pool of consumers who want to seek or accept a smart meter in the next six months of 22.9m as measured at the end of 2017
- in the first half of 2018 our campaign has to generate a further 12.2m GB adults who want to seek or accept a smart meter installation in the next six months in order to meet the PMF target of a total pool of consumers who want to seek or accept a smart meter in the next six months of 22m as measured at the mid-point of 2018
- and in the second half of 2018 our campaign has to generate a further 11.3m GB adults who want to seek or accept a smart meter installation in the next six months in order to meet the PMF target of a total pool of consumers who want to seek or accept a smart meter in the next six months of 20.6m as measured at the end of 2018

Figure 4: Activation task for GB adults to the end of November 2018



It is the PMF forum's stated intention that through 2018 it will regularly assess the operation of the customer funnel across consumers of the widest possible range of energy suppliers, in order to inform ongoing assessment of the funnel. The PMF forum has also asked Smart Energy GB to, in 2018, commission recontact research of the type used as part of the analysis that informed this metric/target setting for 2018, in order to inform any decisions on further updates to PMF metrics and targets in this area for the next stages in the rollout after 2018.

Reflecting responsibilities to ensure that our work generating GB adults who want to seek/accept a smart meter in the next six months in 2018 does not leave behind potentially more vulnerable consumers, the PMF forum also set specific targets that percentage levels of consumers who wish to "seek/accept a smart meter in the next six months" amongst prepay consumers, consumers with low incomes, consumers who are over 65 and consumers who are living in rented accommodation should reflect those targeted for the overall GB adult population at both the mid-point and year-end of 2018.

4. Other areas of 2018 PMF metrics/targets

4.1 Usage behaviour change

In agreeing the appropriate metrics and targets relating to usage behaviour change, it was understood, as with all the metrics, that any metric on usage behaviour change had to properly reflect the objectives for Smart Energy GB as set out in the supplier licences relating to this area.

The PMF forum had detailed discussions with Smart Energy GB, informed by expert advice, to understand the nature of potential campaign activity relating to usage behaviour change, and in particular to be assured that Smart Energy GB's intention in 2018 in executing activity driven by this metric area would be to highlight in compelling and powerful ways, with effective messaging and evidence, how smart meters can, and are, being used by consumers to better manage energy use; so as to increase consumer understanding of the use of smart metering systems and the information obtained from them, and increase the willingness of consumers to use those systems by all smart meter consumers, but also considering the needs of consumers with low incomes or prepayment meters, or consumers who may encounter additional barriers in being able to realise the benefits of smart metering systems due to their particular circumstances or characteristics, to realise the benefits of smart metering systems while continuing to maintain an adequate level of warmth and to meet their other energy needs.

As such, the PMF forum was able to decide the most appropriate 2018 PMF metrics in this area on which to judge Smart Energy GB's activity in support of these licence objectives, considering what they believe at this time to be the best way in which the aims and intentions of the licence can be judged through appropriate research metrics. The PMF forum therefore decided that two metrics relating to usage behaviour change would be included in the 2018 PMF:

- the percentage of GB adults (who have a smart meter) who agree to the statement, "I always keep track of the amount of energy I use around the home"
- the percentage of GB adults (who have a smart meter) who agree to the statement, "Having a smart meter makes me feel more in control of my energy"

It was also agreed that Smart Energy GB would commission additional research in the first quarter of 2018 to deepen knowledge of the correlations between these metrics and the levels of consumer knowledge of how to best use smart meters to deliver positive energy use (both reducing waste, but also being more confident in using the right amount of energy, especially for the more vulnerable), and so allow consideration by the PMF forum in mid 2018 of any further evolution of these metrics in the light of the findings of this research and the first results from these metrics.

4.2 News/media environment

In considering potential 2018 PMF metrics in this area, the forum considered the role of news media coverage in determining overall sentiment towards smart meters as a product, received analysis of the major news stories about smart meters in 2017 and their subject focuses, and considered the appropriate extent to which Smart Energy GB should be expected to contribute to the news environment about smart meters considering that it is not the body making policy decisions regarding the smart meter rollout (the role played by government) or responsible for the experience of customers receiving individual installations (provided by energy suppliers, meeting their own customer service standards and the standards set out in the SMICoP).

In light of this, but reflecting the importance of the role that the PMF forum believes Smart Energy GB's PR activity can play in meeting the licence objectives, the PMF forum agreed that the 2018 PMF should include the following metrics:

- the percentage of GB adults who recall seeing or hearing any news, articles or opinion pieces about smart meters recently who state it made them feel more positive about smart meters;
- total earned media impressions containing positive messages about smart meters placed by Smart Energy GB

The PMF forum judged the right targets for these metrics after considering analysis of recent news coverage and data against these metric areas in 2017, and considering the likely nature of news stories as the smart meter rollout enters its planned phase of scaling up in 2018.

4.3 Value for money in key spend areas

The forum considered the number of ways that Smart Energy GB demonstrates value for money across all its activities, and how these are supervised by the Smart Energy GB board exercising its responsibilities as set out in the supplier licences.

This helped the PMF forum to determine what is an appropriate metric for inclusion in the 2018 PMF, which relates to independent assurance of the value for money of the largest area of Smart Energy GB spend; media buying.

4.4 Microbusinesses

The summer 2017 customer funnel analysis relating to the microbusiness customer journey highlighted particular challenges in the energy supplier delivered stages of the journey for this customer group.

In addition, the PMF forum considered the likely investment needed for Smart Energy GB to take on a next phase in our potential microbusiness consumer task, and whether the PMF forum considered it appropriate to task Smart Energy GB with delivering against 2018 targets in this area in the light of the current inefficiencies in the microbusiness customer funnel.

As a result, the PMF forum decided that the 2018 PMF will not contain any metrics/targets relating to microbusinesses. The PMF forum has asked Smart Energy GB to continue to collect data on microbusiness consumer attitudes to and enthusiasm for smart meters in 2018, in order to inform any decision as to whether targets for microbusiness activity would be appropriate to include in the PMF from 2019 onwards, if the efficiency in the customer funnel for microbusiness is also shown to improve through next year.

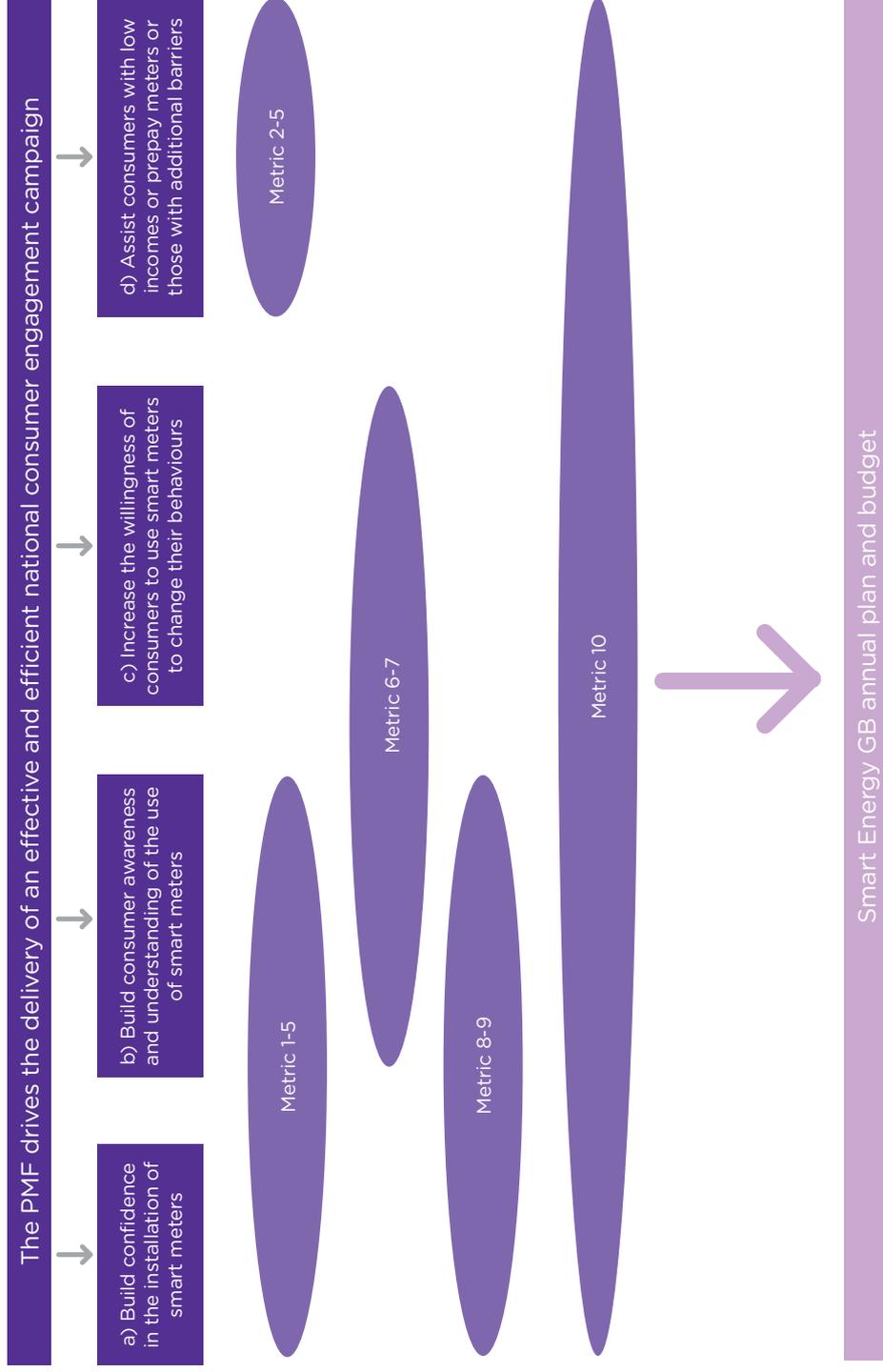
2018 PMF metrics and targets

The table below details all the 2018 PMF metrics and targets.

| LC (see page 12) | Metric | Mid-year 2018 target | Year-end 2018 target | Notes on data source for this metric | |
|-----------------------------|------------|---|----------------------|--------------------------------------|---|
| Domestic activation metrics | a), b) | 1. The percentage of the non-smart GB adult population who state that they would seek or accept a smart meter in the next six months | 57% | 59% | Results from <i>Smart energy outlook</i> (May and November fieldwork; conducted by Populus) |
| | a), b), d) | 2. The percentage of the non-smart GB adult population who are prepay customers and who state that they would seek or accept a smart meter in the next six months | 57% | 59% | As above |
| | a), b), d) | 3. The percentage of the non-smart GB adult population who have a low income and who state that they would seek or accept a smart meter in the next six months | 57% | 59% | As above |
| | a), b), d) | 4. The percentage of the non-smart GB adult population who are over 65 and who state that they would seek or accept a smart meter in the next six months | 57% | 59% | As above |
| | a), b), d) | 5. The percentage of the non-smart GB adult population who are living in rented accommodation and who state that they would seek or accept a smart meter in the next six months | 57% | 59% | As above |

| | LC (see page 12) | Metric | Mid-year 2018 target | Year-end 2018 target | Notes on data source for this metric |
|--------------------------------|------------------|---|-----------------------------------|-----------------------------------|---|
| Usage behaviour change metrics | b), c) | 6. The percentage of GB adults (who have a smart meter) who agree that, "I always keep track of the amount of energy I use around the home" | 54% | 52% | Results from the <i>Smart meter usage tracker</i> , conducted by Populus twice a year with fieldwork in May and November. |
| | b), c) | 7. The percentage of GB adults (who have a smart meter) who agree that, "Having a smart meter makes me feel more in control of my energy" | 66% | 66% | Results from <i>Smart energy outlook</i> (May and November fieldwork; conducted by Populus) |
| | LC (see page 12) | Metric | Mid-year 2018 target | Year-end 2018 target | Notes on data source for this metric |
| News/media environment metrics | a), b), d) | 8. The percentage of GB adults who recall seeing or hearing any news, articles or opinion pieces about smart meters recently who state it made them feel more positive about smart meters | 50% average across H1 | 50% average across H2 | Results taken from independent monthly tracking (conducted by Hall & Partners). Performance against this metric will be reported to the forum on a monthly basis. |
| | a), b), d) | 9. Total earned media impressions containing positive messages about smart meters placed by Smart Energy GB | 100 million (average per quarter) | 100 million (average per quarter) | Results taken from independent evaluation (conducted by Ebiquity). |
| | LC (see page 12) | Metric | Mid-year 2018 target | Year-end 2018 target | Notes on data source for this metric |
| Value for money metric | Cross-cutting | 10. Value for money in paid media activity | A: Excellent | A: Excellent | Results from independent review (performed by Media Sense) of our paid media activity in H1 and full year. |

Figure 5: Summary of PMF metrics and their association to Smart Energy GB's objectives



5. Principles to ensure maximum value for money and suitable return on investment across Smart Energy GB activities and budget in 2018

5.1 The National Audit Office Value for Money model

When Smart Energy GB was established in 2013, as part of its setting the strategic direction for the company, the board considered how best the company would ensure that it reflected its legal obligations to deliver value for money in its activities and operations.

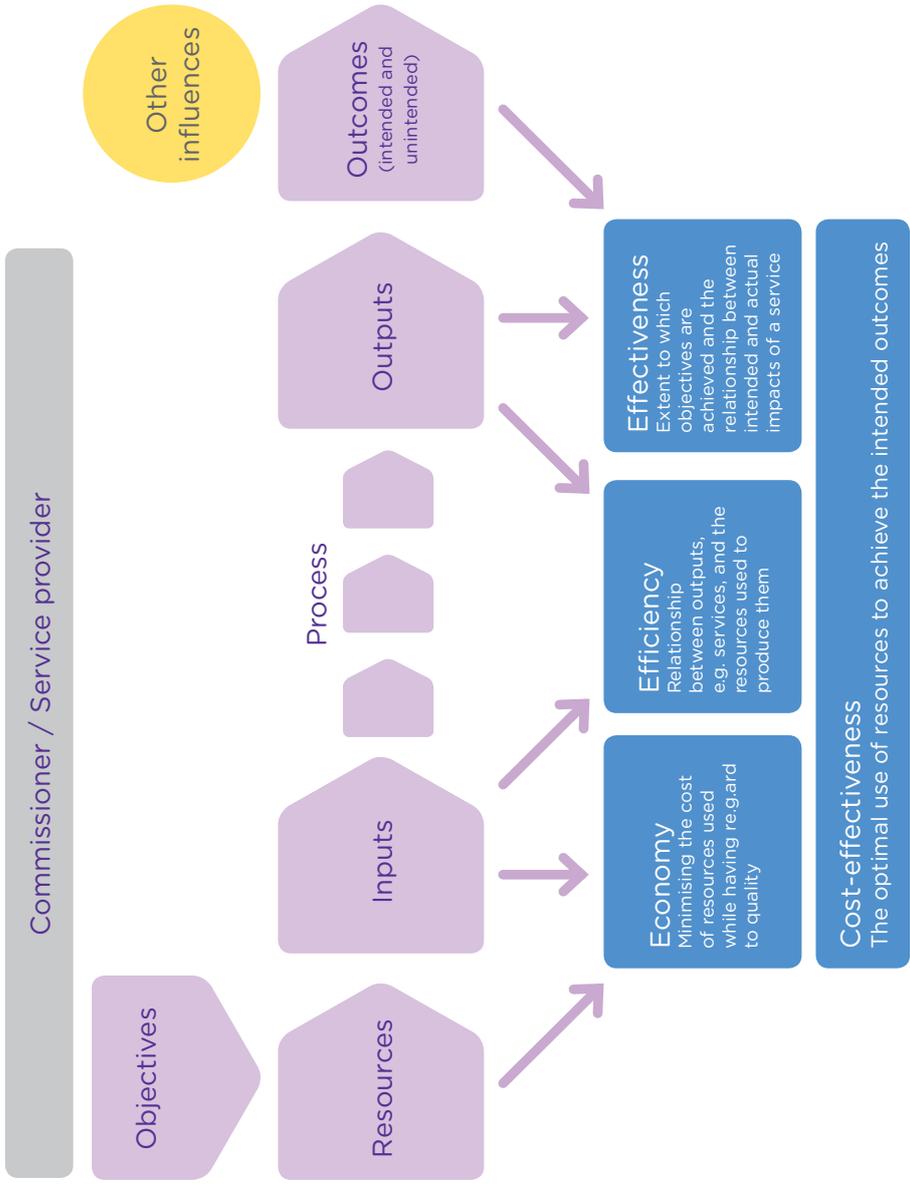
At the time the company considered a number of different value for money models, to determine which would best allow the company to consistently demonstrate to energy suppliers that through the quality of governance of the Smart Energy GB board, the company is giving them the assurance that they are meeting the supplier licence obligation to do *“such things within [their] power[s] to ensure that in achieving its objectives [Smart Energy GB] acts in a manner which is transparent, impartial, cost effective and represents value for money”*.

In 2013 it was decided that, even though Smart Energy GB is not in the public sector, we should internalise the most respected cost effectiveness/value for money model used by public service organisations.

That model has been developed by the National Audit Office (NAO). The NAO defines cost effectiveness/value for money as *“the optimal use of resources to achieve the intended outcomes”*. The NAO model is used in all their independent assessment of UK public bodies’ cost effectiveness and value for money for both service provision organisations (which is relevant for Smart Energy GB when we are delivering campaigns through channels under our own control) and commissioning bodies (which is also relevant for Smart Energy GB when we commission other organisations to deliver parts of our campaign on our behalf, such as our marketing partners).

The model for the assessment of cost effectiveness/value for money is set out below, in diagrammatic form as published by the NAO:

Figure 6: The NAO value for money model



The flow diagram demonstrates the NAO model by showing the relationships between resources, inputs, outputs and outcomes to the NAO's "3 E's": economy, efficiency and effectiveness. The NAO explains the model (in its own words) as:

1. Resources depend on the objectives of the organisation delivering the activity.
2. The acquisition of resources as inputs to processes determines economy: minimising the cost of resources used while having regard to quality.
3. The use of inputs in a process to produce outputs determines efficiency: the relationship between outputs, e.g. services, and the resources used to produce them.
4. The extent to which intended and unintended outcomes are achieved by outputs from a process determines effectiveness: the extent to which objectives are achieved and the relationship between intended and actual impacts of the activities.
5. Outcomes are subject to other influences besides the action of outputs.
6. The relationship between resources and outcomes determines cost-effectiveness or value for money: i.e. the optimal use of resources to achieve the intended outcomes.

Smart Energy GB has applied this model to ensure that it is properly delivering value for money throughout its history. The board believes that the National Audit Office value for money criteria and model is still the most respected and appropriate by which Smart Energy GB can deliver its obligations to deliver value for money in all its activities and operations; and as such intends to continue to adhere to this model in 2018.

5.2 Applying this model in practice

5.2.1 channel selection

The biggest choice that we face in our activity, and which has the most significant impact on costs, relates to the selection of the channels that we use in our campaign.

Applying the value for money model to selecting channels, we apply an 'exceptional' process in which we start with the most cost efficient channels available where reach is guaranteed (almost always paid media as defined by econometric modelling) and gradually examine possible exceptions for those audiences who may need more expensive forms of engagement through a cost efficiency funnel. This in practice ensures that the most efficient channels are considered first and more expensive channels are only considered where a more cost efficient channel is either not available or effective. The principles of this process are:

1. channels must produce a guaranteed reach and frequency and acceptable control of the message
2. channels with lowest cost per impact must be considered first
3. a channel with a higher cost per impact cannot be considered before more cost-effective alternatives have been discounted

The costs of different channels is therefore weighed against guaranteed reach and control of message, so whilst it is in theory extremely cost effective only to reach mass audiences by PR for example, it would not be possible to use PR as the prime method by which we would deliver the required reach and frequency and control of message required to shift the metrics as set out in the PMF given the nature of that channel.

We use the best modelling methodologies (including econometric modelling, conducted three times a year) to determine the right channel mix, and optimum use of channels, for our campaigns. This modelling and its frequency also means that we have data that informs us when our creative outputs are performing well against benchmarks in channels, and if any channels are working less well for us and so need improvement.

5.2.2 effectiveness in paid media channels

During 2017 this modelling showed the impact of the negative news environment about the smart meter product and rollout on the effectiveness of our paid media campaign. The bulk of criticism in news media about smart meters has been focused on criticism of the impact of the necessary investment in smart meters on consumers' bills in the short term, and questions about policy such as the decision to see a greater proportion of the rollout be delivered via SMETS 1 meters which do not yet guarantee continued smart service when a consumer switches supplier. Despite best efforts on the part of the range of parties in the rollout, whether suppliers, BEIS, DCC, networks or Smart Energy GB to co-ordinate reactive responses via the Smart Energy GB Energy Supplier PR forum and to tackle media inaccuracies as effectively as possible, considerable and consistent negative comment in the media has been sustained. The econometric modelling allows us to quantify the effectiveness drag created by this external environment at 20 per cent (or £7 million).

As the rollout enters 2018 it should in that year see a significant ramping up of daily installations. These will for the first time see numbers of meters being installed into the DCC. We hope that the significant technical programmes across the SMIP that have led to this point should allow that ramping up to be delivered with high quality customer experiences in installations next year, and that there will also in 2018 be clarity on the enrollment journey for SMETS 1 meters and thus further improvement in the service offer to consumers who have those meters. However, it is also likely that it will require evidence of the stable delivery of those next stages in the rollout in order to change for the better the overall level of news media positivity towards the rollout; and thus we discussed with the PMF forum that the most sensible planning assumption for modelling paid media budgets at this time being to assume that the prevailing media environment will continue or even worsen. It is therefore prudent to assume this drag on effectiveness is the baseline for 2018 planning.

The question therefore becomes: is this new baseline the only material difference to marketing effectiveness in 2018 or are there gains or losses to be found elsewhere? Whilst we believe that the balance of probability is if anything tilted toward the media environment becoming more hostile than less, we cannot quantify this in a meaningful way and so we have not assumed further loss of effectiveness in this area. Nor are there other presenting circumstances which lead us to believe that our effectiveness will decay over 2018.

We do however believe that there are potential effectiveness gains to be made in new creative and messaging freedom afforded to us by the PMF Forum in moving on from the previous "understanding" metric and the restricted messaging hierarchy attached to it. We therefore believe that it is reasonable to stretch-target an effectiveness improvement of 30 percentage points ahead of that experience in H1 2017 (equivalent to media savings of more than £10 million).

In summer 2017 the PMF forum received detailed presentations on the results of modelling against potential 2018 activation and usage behaviour change targets and resulting necessary investment in paid media were those targets to be selected, which supported them in making their decision on those 2018 PMF targets in the light of knowing the level of 2018 budget that would be required to support them.

5.2.3 efficiency in key agency costs

AMV BBDO and PHD were appointed our principal agency partners in 2014 for creative development and media planning and buying respectively, as the result of a competitive process independently overseen by sector leading intermediary AAR. As such, at the time of their appointment, their fees were independently judged to have been competitive against the market and to provide good value for money.

In the summer of 2017, we re-commissioned AAR to take a fresh look at the competitiveness of these agencies and to benchmark their fees against the market and to benchmark and critique AMV's cost of production services.

It did not consider PHD's media buying performance, which is already independently audited separately and twice yearly by MediaSense.

We are pleased that AAR's report has demonstrated that we are still buying AMV and PHD's services at appropriately competitive rates and note that AAR concluded: *"AMV represent very good value given the quality of the agency and calibre of their people. Double digit discounts against the AAR database demonstrate that AMV's hourly rates are highly competitive across all members of the team. The agency's Overhead Recovery Rate (ORR) is also competitively set. It is rare for us to see such competitively priced rates from an agency of this quality."*

In relation to PHD, AAR's report stated:

"PHD's hourly rates are at a significant discount to AAR's database. This is applicable to the whole team. The discounts range is even more competitive than AMV's relative to AAR's database. The agency's ORR is also competitively set at [a level that is] unusual for a media agency that has to carry research and technology costs that are significantly higher than that of a creative agency. Whilst not absolutely in scope, we have reviewed PHD's media commission rates and found them to be competitive for the size of media budget and profile of expenditure off and online. The inclusion of a performance related payment mechanic is also good practice to ensure levels of service and delivery are maintained."

In conclusion AAR reported:

"In summary, AMV and PHD are both delivering very good value for money across their people and production costs."

5.3 Application of HM Treasury principles of good governance and management in Smart Energy GB

Since 2013 Smart Energy GB has based its breakdown of governance and management responsibilities on a range of good practice, including the model set out by HM Treasury in its publication *Managing Public Money*.

This model states that “Public sector organisations should have good quality internal governance and sound financial management. Appropriate delegation of responsibilities and effective mechanisms for internal reporting should ensure that performance can be kept on track. Good practices should be followed in procuring and managing resources and assets; hiring and managing staff; and deterring waste, fraud and other malpractice.”

Applying this model since 2013 has allowed the Smart Energy GB board to set and keep up to date appropriate policies and procedures regarding (but not restricted to) the following:

- Procurement policy
- The full finance manual of all financial policies and procedures
- HR policies and procedures
- Publishing updates on performance
- Delegation of appropriate financial authorities

The board maintains a tight review mechanism, reviewing financial and non-financial performance at every board meeting. It is supported in this role by the Audit and Risk Committee (independently chaired by Hugh Spicer). The Audit and Risk Committee also reviews financial performance in the form of management accounts. It also reviewed, as has the external auditors, the full financial policies and procedures to ensure we have the right control environment.

By applying this model, the board is able to assure itself that it is properly fulfilling a number of its duties under the supplier licences (for example, see sections 45.4 to 45.8 of the supplier licences relating to the constitution of Smart Energy GB board and the exercise of judgement and decision making by the board), and also properly exercising a number of the board’s broader fiduciary duties.

6. Marketing activity in 2018

6.1 Introduction

As in previous years, our assessment of the required marketing response to the challenges set for us by the PMF Forum are structured around the areas of advertising, digital marketing and partnership marketing, all underpinned by appropriate and robust insight and evaluation.

At the core of this approach, both in terms of impact and spend, is advertising; driven in turn by an econometric model (EM) which allows us to understand how marketing efforts have impacted business performance in the past and use this knowledge to help plan for the future by setting budget parameters and an optimum media laydown. This is the central plank in marketing planning and has every year to date been effective in modelling the required spend to achieve the given targets. The analysis behind the 2018 plan is based on econometric modeling conducted in August 2017, but it is worth noting that the model is updated three times a year and therefore allows us to make tactical and strategic adjustments throughout the year to ensure we are deploying the most effective mix at the most efficient weights.

1. The advertising plan provides a coverage of 99.8 per cent against GB adults at a frequency of 96.1
2. The annual GRPs are 9050 with a monthly range of 639 to 983
3. Average TVRs per AV creative execution are 899 across their lifetime

It is important to note that we have not yet built an econometric model based on the metric 'seek/accept within six months'. This is because we do not know how our media has impacted 'seek/accept within six months' historically and we do not have response curves for 'seek/accept within six months' that can be used to set and optimise budgets.

As a result, the only sensible approach is to use learnings from the existing models to determine appropriate proxies to use in this model. The existing models that Annalect have are for understanding (old definition), propensity (as used in the 2016 PMF) and activation ready (as researched in 2016). It is our belief that the propensity metric is the most similar of these to 'seek/accept within six months' and so most suitable to use in EM modelling to estimate the sensible media budget for the potential 'seek/accept within six months' task in 2018.

To maximise effectiveness and efficiency our mix remains AV (and therefore TV) strongest (see figure 7).

In building an appropriate messaging framework, we have updated the Smart Energy GB communications framework (using the latest available insight data), which takes consumer attitudes to smart meters as its starting point (see figure 8).

From this we can derive core tasks from which to develop messaging and creative principles (see figure 9).

Figure 7: 2018 paid media budget/channel

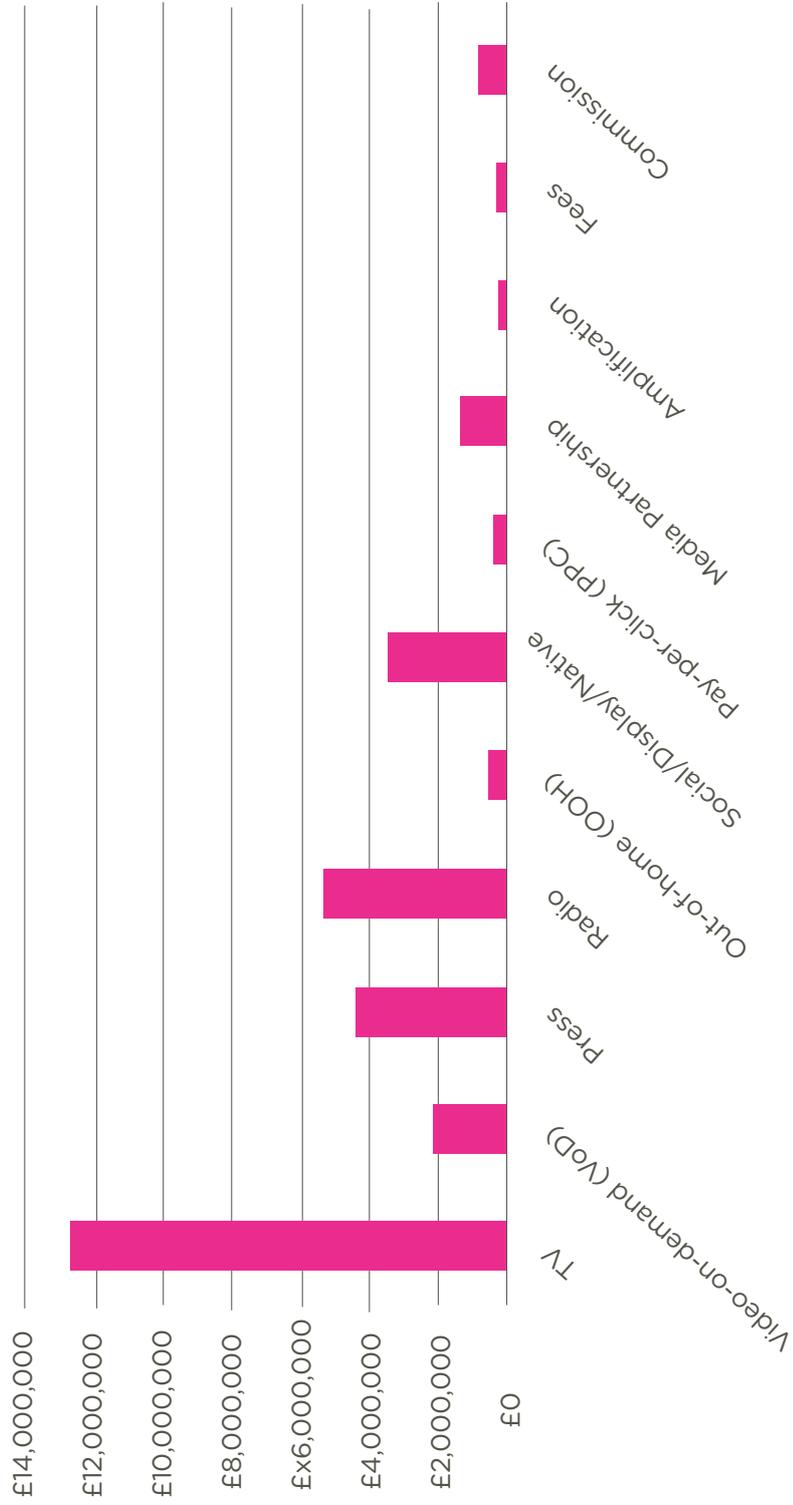
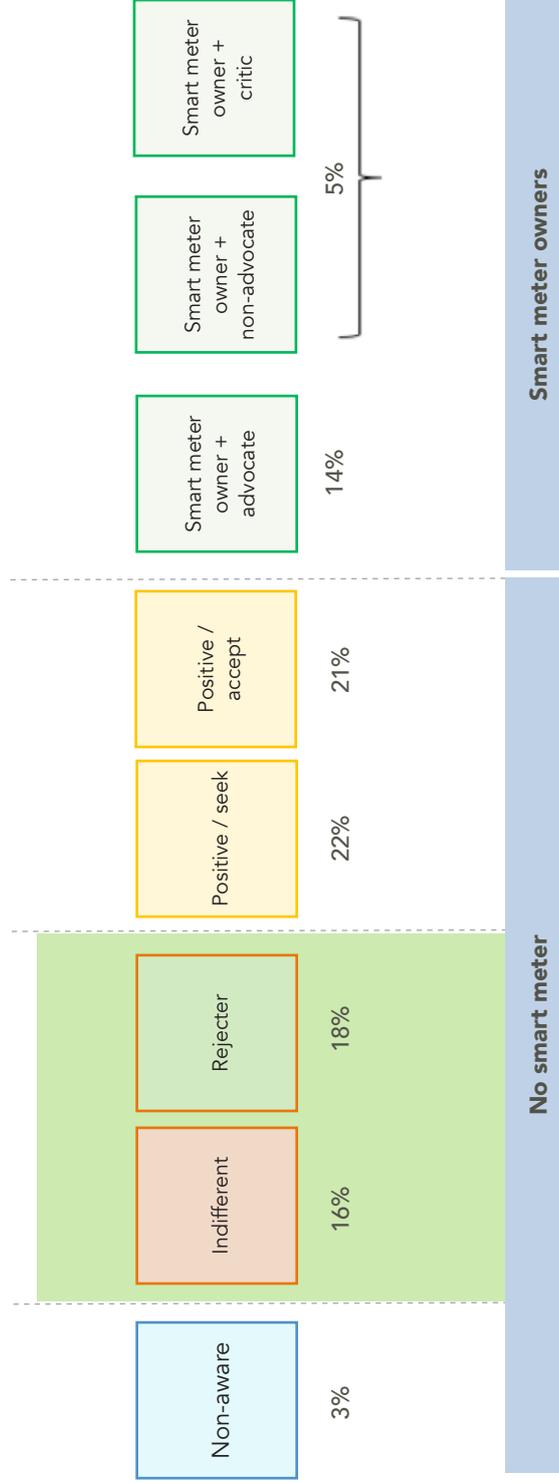
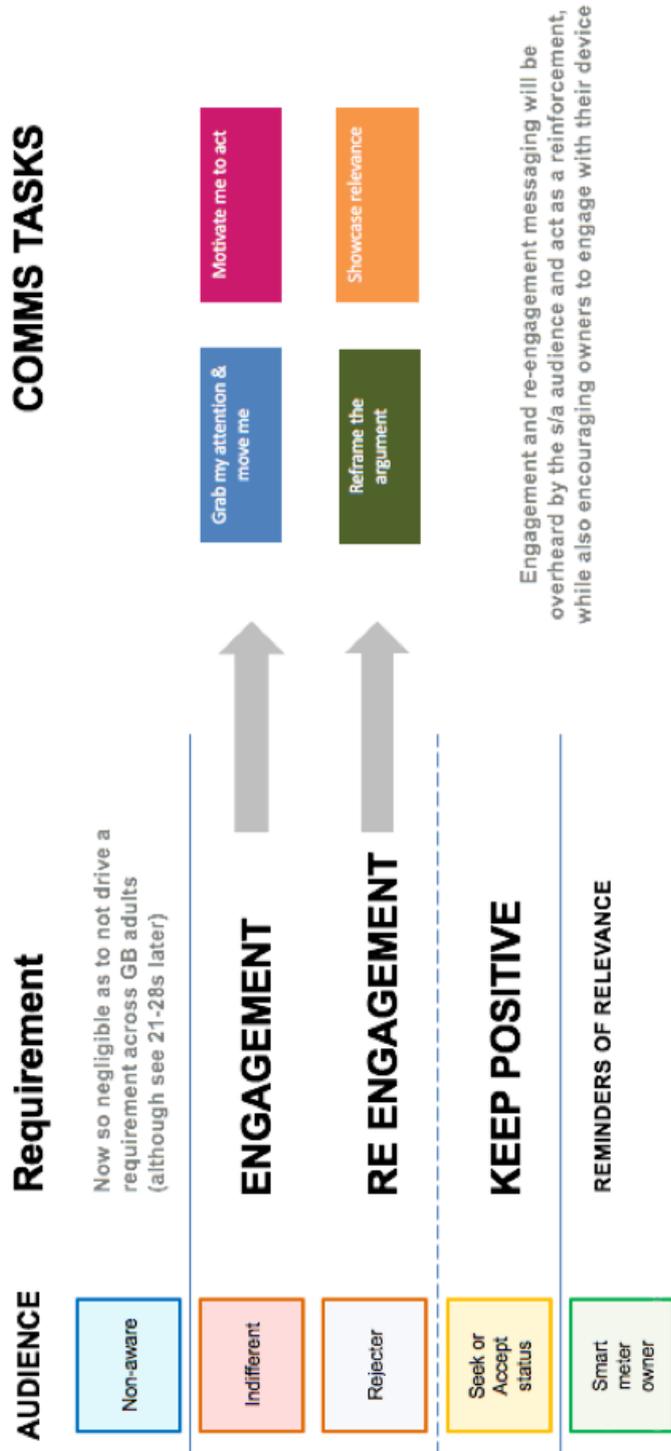


Figure 8: Breakdown of the GB adult population and attitudes to smart meters (at May 2017)



Source: *Smart energy outlook* (May 2017) data using 'seek/accept' in the next six months' metrics

Figure 9: Mapping requirements to tasks



Since inception, our core creative vehicle has been Gaz & Leccy, built around the central insight that smart meters give consumers greater control and transparency over their energy and energy decisions. We have interrogated that thought and remain of the view that this creative strand is still the most appropriate vehicle against the 2018 tasks. In fact, being able to broaden our messaging framework in 2018 we believe will give us room to refresh the creative and push it further.

In 2016 and into the start of 2017, Estimation Nation provided us with a 'real-life' B strand creative approach. Whilst Gaz & Leccy are a highly engaging vehicle to deliver rational benefits about smart meters, they are less effective in establishing emotional resonance and a sense that 'people like me' need or are adopting smart meters: in advocating for the product in a way in which real people can do.

We believe for this reason that a B strand 'real people advocates' creative approach is therefore required in 2018 and have allowed for such in creative development budgets. In the final quarter of 2017, we are developing our preferred response to this task, taking the successful 'Power of Ten' digital strand deployed in 2017 against the 21-28 audience as our starting point.

In developing this creative, we are increasingly efficient in both making assets work harder and in repurposing assets produced in previous years. We believe therefore that our working/non-working ratios represent good value for money:

- overall working 85.7 per cent
- AV working 86.7 per cent
- support media (e.g. radio, print, OOH etc) working 92 per cent
- digital working 64.6 per cent

Our planning assumption is that Gaz & Leccy will remain the core vehicle, supported by the B-strand advocacy activity. However, we will flight both in Q4 2017 and into Q1 2018 and make final adjustments to the relative weights and mix to achieve the optimum efficiency against the targets.

Whilst TV and VOD is our primary channel for grabbing attention and moving people / giving them a reason to care in both creative strands, press is designed to support with messaging to motivate action. We have also anticipated a need for a strand of print that addresses 'rejecters' and overcomes concerns. Activity is planned for quarterly bursts of core press at similar budget levels to 2017 with the additional strand of print for 'rejecters' planned at three additional bursts.

We have identified three audiences needing upweighting where press can play a significant role: Prepay (targeting prepay customers with creative that showcases the benefits specific to them); Off-gas grid (regional activity supporting areas with high off-gas grid incidence); 65+/60+ Offline (press works well here as a channel with higher levels of consumption amongst older audiences and is able to communicate specific motivating factors to this audience and tailored advocacy creatives).

Similarly, radio advertising will be designed to motivate an action and to reframe the argument/establish relevance. It will do this with two routes; core radio designed to motivate and advocacy radio designed to showcase real people's voices. A rotation of these two strands throughout the year requires a level of frequency to keep the messages fresh and therefore is planned at optimal weights per month when active. This will also be joined by prepay radio running in some periods of the year to drive prepay specific benefits alongside press activity for this audience.

Out-of-home (OOH) advertising in 2018 is planned simply to reach regional off-gas grid audiences and therefore planned at suitable weights for regional-only spends in relevant parts of GB. Unlike 2017 where we ran OOH for London and renters, we plan a narrower focus for this channel in 2018 and hence the lower spend level for OOH in 2018.

Media partnership activity will focus on establishing relevance against the core task and age extremes specifically (being under 28s and over 60s).

This above the line activity will be supported by an always-on investment in digital support in the form of social, video and PPC, optimised to a younger audience in social channels.

6.2 Digital marketing

As in 2017, our digital focus in 2018 will be the 21-28 audience. At the May 2017 point, this audience was three times more likely to be unaware of smart meters than the GB adult population, suggesting the core campaign is less effective at getting onto the agenda of this audience. We tackled this challenge in 2017 principally via a new Power of Ten campaign, which used talking point topics amongst this audience as context for 10p energy challenges and highlighting the benefits of smart meters, culminating in the Ainsley Harriot food challenge. As discussed here, we see great potential for this campaign to be widened against a broader all adults advocacy task. The task for digital therefore becomes to take the wider development and ensure that we create executions that still work for the target younger audience. This will be our hero content. Costs are down on 2017 due to expected efficiencies from extending the creative approach to a broader all adults advocacy task.

Supporting the attention-grabbing hero campaign for 21-28, a campaign of 'hub and help' content will be developed to deliver deeper engagement with smart meters among the youth audience on all our digital channels, including on site, social and native, and further develop our status as a trusted source of information.

Aside from this proactive digital marketing activity, we will also maintain a best in class website, although no major development is foreseen in 2018. Our approach to SEO in 2018 is largely unchanged, with some new areas of focus added to the scope, such as tackling key word cannibalization as we add new content to the website.

6.3 Upweighting under indexing audiences ensuring we don't leave anyone behind

In 2015 we published *Smart energy for all*, in which we analysed a broad range of potential audiences for whom there may be a greater barrier to engagement with the smart meter journey (e.g. because of a vulnerability that makes it difficult for members of that audience group to engage with mainstream media, or because of a peculiarity in the engagement of a particular group with the supply of energy).

In developing, consulting on and publishing *Smart energy for all*, we considered a very broad range of characteristics that could be relevant to the smart meter customer journey, but were also then able through journey mapping to analyse different levels of potential barrier (for example, characteristics that would likely cause obstacles at multiple parts of the journey or obstacles that may affect only some of the people with a particular characteristic).

Through the history of our campaign we have engaged a wide variety of these audiences by:

- Ensuring that our mainstream campaign is designed and delivered in the most accessible way, without unnecessary barriers
- Upweighting paid media which is of particular interest to/designed specifically for specialist audiences where that exists and is efficient
- Supporting the development of available information through bodies who these audiences turn to for explanations (e.g. through working with charities or public bodies to make sure they have information about accessing smart meter installations on their websites, in suitable depths and styles of information)
- Training and building advisory capacity which focuses on particular more vulnerable communit(ies)
- Funding active engagement projects of various types, both on a relatively large scale (e.g. with national charities) but also on a much more local scale (e.g. through local organisations we have funded through our Smart Energy GB in Communities programme)

Through our regular tracking research, including through the large sample base of research that is provided by *Smart energy outlook*, we are able to see how a wide range of *Smart energy for all* audiences index vs the GB adult population as a whole in relation to attitudes to the product and desire for it.

While we should always keep under review whether we believe that any of the *Smart energy for all* audiences need particular investment to deliver on our goals (even if they may be tracking well in terms of current results), our most recent tracking research shows us a number of audiences which currently have notable variances compared to the GB adult population as a whole.

Our headline approach in 2018 to each of these upweighting tasks is as follows:

- **21-28:** paid media with digital as the lead channel. Designed to drive word of mouth through a creative strand that grabs attention. This can also include media partnerships when traditional media channels are not as effective or efficient to deliver that attention grabbing message.
- **65+ and 60+ offline:** engagement activity through marketing partnerships as an important channel for this audience due to the already high levels of exposure that this audience have to paid media (through overindexing to TV and Print). Marketing partnerships such as with specific retail brands of interest to this group can build on existing successful marketing partnership work with 3rd sector groups. This audience are also stronger consumers of traditional PR channels such as regional print and national press. Paid media can support with advertorials and media partnerships tailored to an older audience.
- **severe or profoundly deaf:** building advisory capacity and supporting engagement through marketing partnerships where possible would offer an effective route into this audience with very specific needs. In terms of size they are not an audience we would target through paid media as they are too small as a group and geographically spread; although of course they will also still be reached through our GB adult wide targeted paid channels.
- **prepay:** given the size of this audience it makes sense to address them in paid media with their own dedicated strand of messaging in mainstream channels such as radio and print.
- **off gas grid:** paid media that will likely be regionally targeted to areas of high off-gas-grid prevalence (e.g. local press and OOH).

6.4 Marketing Partnerships

Our investment over several years in marketing partnerships, mainly thus far with third sector organisations, has created capacity that lasts well beyond the first year of investment or initial contract period.

This has meant that we have become more efficient over time in this activity and in 2017 have been able to focus our additional investment in this year tightly on a key audience (65+offline) not comprehensively reached by the core marketing mix.

In 2018 we believe we need to broaden our target investment slightly, to bring down the offline age to 60+, widen the task to all adults aged 65+ and additionally support severe or profoundly deaf people.

We will also be making a small investment (c£30k) to top up advisory capacity we have created in previous years but which has decayed (e.g. as some advisers have moved on to different roles) and c£60k to establish advisory capacity against two audiences (blind or partially sighted; and mental health and social behavioral impairment) where our own insight does not show an underindexing against the GB adult population as a whole, but where our advisers at National Energy Action believe there is a risk from our not investing in this additional form of consumer engagement support.

Our marketing partnership activity has two strands:

- active engagement: Proactive communications activity that is discreet, time-bound and is activated by resourcing the partner (usually financially via a contract or funding programme). Active engagement provides capacity to reach and support people through direct activity, with the timing of the activity closely related to the funding period.
- training and building advisory capacity: Skills and knowledge transferred to a partner to enable them to respond to consumer questions and concerns (e.g. 100 people trained to be smart meter Champions who continue to work in the long-term within their communities as a trusted advisor to whom people go to for support). Advisory capacity will continue to deliver value and will be much slower to diminish over a longer period.

Each of the above is often supported by content created with, for or by a partner (for their own channels) and with downloadable free resources (such as smart meter leaflets, posters etc) provided by our online resources centre (available to access from the homepage of the Smart Energy GB website).

In 2018 we will continue to deploy this approach and develop it to work with more national commercial brands to create active engagement. Key outputs of the activity will be:

- active engagement: Directly reach 293,000 people aged over 60 years and 26,500 people with severe or profound deafness via marketing partnerships with third sector, commercial brands and housing organisations
- training and building advisory capacity: 370 new smart meter Champions trained in organisations supporting those aged 65+ or 60+ if offline, and those with severe or profound deafness
- training and building advisory capacity: 140 new smart meter Champions trained to replace capacity lost in organisations trained in previous years
- training and building advisory capacity: 146 new smart meter Champions trained in organisations supporting those who are blind or partially sighted; and those with mental health needs or social behavioural impairment

In the elements of this activity focused on active engagement, the average cost of direct engagement in 2018 will be £3.52 per person, increasing from £1.52 in 2017 and £2.31 in 2016. This increase is due in part to stricter categorisation of reach to strip out online reach, and to the increased costs of reaching the more specialist deaf audience.

In the elements of this activity focused on training and building advisory capacity, there will be an average cost per person trained of c£512, falling from c£555 in 2017 and c£628 in 2016. This is due to efficiencies over time in the production of training materials and improved logistics in how training is provided.

£975k will be distributed directly to partner organisations who are delivering the active engagement. c£336k will be spent directly on training the new smart meter Champions and £152k will be spent on developing and distributing resources for partners to use directly in their support and engagement of our priority audiences across both areas of activity.

7. Policy and communications activity in 2018

7.1 Introduction

2017 has seen significant Smart Energy GB activity in both PR and public affairs/stakeholder relations.

The Policy and Communications team responded to the significant increase in the number of negative stories in some national media during 2017 by carefully analysing the subjects of that coverage, improving co-ordination across the SMIP (via all relevant parties agreeing to work together to an agreed protocol via the Smart Energy GB managed PR forum) to speed co-ordination of response to media criticism and by ourselves tackling inaccuracies in reporting by achieving Smart Energy GB comment in a number of pieces to secure greater balance in coverage.

The consumers' outtake of media coverage of smart meters in 2017 was also balanced from the negative coverage that focused in large part on questions of policy (e.g. SMETS 1 enrolment), or the short-term costs of the meter rollout on consumers' bills, by Smart Energy GB securing significant positive coverage of smart meters, through executions such as those we created with Great British Bake Off star Ian Cummings, talking about the value of smart meters in planning and managing a household's budget.

In 2017 we also maintained a supportive environment from Parliamentarians, opinion-formers and other stakeholders through briefing and maintaining contact with these groups. Additionally, our Smart Future publications inspired stakeholders across a range of fields to engage positively with the future opportunities of smart. Building on the strength of this content created in 2017, similar activities can be focussed at an appropriate level for 2018, ensuring that those who are already engaged are kept suitably informed and served as the rollout progresses.

We also activated a number of public bodies to carry information about the smart meter rollout in their channels (e.g. websites) at no cost.

We also initiated a programme for employers (Smart energy employers) to sign up major employers as public supporters of the role of smart meters, and gain their support to communicate with their workforces about smart meters. This programme only launched early in 2017, and as of autumn we now have 15 organisations signed up as Smart energy employers, including notable names such as Royal Mail, Transport for London, Hilton Hotels, Adnams and NHS Employers.

In 2017 we have also maintained a public correspondence function which will have answered around 3,000 individual enquiries by year-end.

7.2 Consumer PR in 2018

The PR team balanced the significant increase in the number of negative stories in some national media during 2017 by achieving just under 100 million earned impressions per quarter containing positive smart meter messages in news and broadcast media.

We believe that this activity is vital to support positivity in consumer response among those who recall seeing media coverage.

The 2018 PMF has set a target for Smart Energy GB to achieve 50 per cent of those who recall seeing media coverage reporting that it made them feel more positively about smart meters.

As such, in delivering against our all adult consumer PR task for 2018, we plan to utilise our in-house resource across the three nations to the maximum extent by delivering most activity in-house, maintaining the very low cost per earned impression of £0.001 achieved to date in 2017. In designing any specific executions through the year, we will use this target return-on-investment (ROI) to shape plans and support decisions on the right execution activities.

Our additional consumer PR for specific audiences will target 65+ adults and 60+ offline adults (as we believe that these groups are notable consumers of some of the channels that can be best targeted through PR). Although this activity will again be delivered by the in-house team, the cost per earned impression will be higher than that for our all-adult activities, at £0.004, in line with the requirements of targeted, regional and frequently event-based activity needed to reach these audiences. Again, in designing any specific executions through the year in this area, we will use this target ROI to shape plans and support decisions on the right execution activities.

In 2018 will draw on external agency support in a focussed and selective way, but in particular plan to take expert advice from Register Larkin at Deloitte to ensure that our reactive communication approach and systems reflect best practice and undertaking ongoing media training from external trainers.

7.3 Public affairs and stakeholder relations in 2018

The in-house policy and public affairs team will undertake activities designed to maintain a benign opinion-former environment, including delivering monthly e-newsletters and a programme of 121 meetings for the Director of Policy and Communications and Chief Executive (as well as Head of Policy & Public Affairs, Head of Communication Scotland and Head of Communications Wales) with targeted key opinion-formers, designed to continue to land and extend understanding of the message that Britain's Smart Future is vital. This activity will take considerable effort from the team, but will not require any resource from the capital costs budget.

To ensure that we maintain and grow support from Parliamentarians and to serve them in their role as advocates to constituents, we will maintain our programme of Parliamentary briefing events across Britain, including 121 meetings and regular information sent to MPs, MSPs and AMs. This will be delivered by the in-house team with support from agencies in Wales and Scotland.

The in-house team across GB will execute an efficient and proportionate series of activities to maintain understanding of the benefits of smart meters by stakeholders. Now able to build on the efforts we have put to this in previous years, we believe this can be more tightly focussed in 2018 than in 2017, building on work done with stakeholders who have now been briefed and whose knowledge about the rollout will need to be maintained rather than created from scratch. The budget required will therefore be lower than that needed for activities in 2017.

We will aim to activate 50 additional stakeholder organisations to deliver smart meter information in their own earned channels, including local authorities and other campaigning and charity organisations. This activation will take effort from the in-house team but will not require any capital budget.

7.4 Smart energy employers in 2018

Our Smart energy employers programme has been established during 2017 with 15 employers already communicating positive smart meter messages to their staff.

We believe that this activity plays an important part in social norming. However, it is impossible to draw a direct line from this activity to the achievement of any of our PMF targets.

However, we do believe that we should aim to grow, and deepen the Smart energy employers programme in 2018, and believe that a proportionate increase in budget (from £105k in 2017 to £160k in 2018) will allow us to grow the Smart energy employers group to 200 businesses, including a reach of 2 million employees and a spread of high quality brands.

7.5 Public correspondence unit in 2018

Our public correspondence function will maintain its current target service times for the anticipated increase in volume of enquiries (i.e. as smart meter installation numbers rise), with this service delivered entirely by the in-house team. We will maintain up-to-date processes and tools by bringing in occasional external advice to upgrade systems needed to manage public correspondence. The capital costs of this function amount to £10k in 2018.

7.6 Corporate publications in 2018

We will continue to publish timely and high quality corporate publications, including the Annual Report and Accounts, with all copywriting and design undertaken in-house, as in 2017; and therefore no capital budget required in 2018 (beyond that for translation of these items, which is contained in the fixed operating costs budget).

8. Operations in 2018

8.1 Headcount

We held back growth in our staff numbers through 2017 to match growth in our campaign; which means that we grew the team at a slower pace than originally envisaged at the start of the year. Nevertheless, we have now, as we approach the end of 2017, reached what we believe should be our full complement in the Smart Energy GB team for the task that we can see ahead. As such, our headcount is frozen after the end of 2017.

8.2 Salaries, NI & pensions

As we held back staff growth through 2017 to reach our full complement only in Q4, rather than recruiting all additional staff we needed this year at the start of the year, our FTE average rose throughout 2017 and will be held level in 2018.

Every year Smart Energy GB commissions an independent audit of the value and competitiveness of Smart Energy GB salaries.

Buzzacott LLP were commissioned in summer 2017 to conduct this review. Their review examined salaries across the range of staffing levels across Smart Energy GB and reported that in their view Smart Energy GB pays “fair but not excessive salaries which demonstrate value for money in comparison to similar roles within competing sectors.”

In budgeting for salaries in 2018, we have noted Buzzacott LLP’s assessment of current salary levels, together with their noting Average Weekly Earnings predictions as reported by the Bank of England, as the suitable basis on which to calculate the pay review policy to maintain value competitiveness of salaries in 2018. A small number of existing staff have also been on development plans that should see them take on new responsibilities in their roles and/or be promoted either at the start of 2018 or planned during the year.

8.3 Recruitment and retention

We are holding steady the amount budgeted for recruitment and retention in 2018. However, due to the fact that we expect to be at our full staffing contingent at the beginning of 2018, we are planning on the basis that a smaller part of this will be required to support recruitment (e.g. only when any current staff member chooses to move on), but that the larger part should be used as needed to support retention of personnel. This follows consideration by the board of a concern around retaining motivated staff as we enter the second stage in the organisation’s life. However, as also reflects board discussions, we do not at this point believe that we need a significant change in the company’s approach to retention, and thus overall this budget has not changed significantly from this year to next.

8.4 Health screening and healthy living

Early in the life of Smart Energy GB it was decided that it would not be an appropriate use of our funders’ money to support private medical insurance for Smart Energy GB staff. We believe that it is right to maintain this policy as so not to offer this as a benefit. However, we do have a hard working staff team, and as such we have always wanted to exercise well our duty of care to support their health and wellbeing in our work environment and in their lives. In 2018 the board has decided to add a health screening service for employees, and continue healthy living initiatives. The total investment in this area is therefore proposed to rise from c£65k in 2017 to £90k in 2018.

8.5 Training and development

Smart Energy GB has always placed an important emphasis on the training and development of staff as a means of maximising productivity, and also supporting the continued development of staff to maximise staff satisfaction and support retention. The 2018 budget holds the training and development costs static between 2017 and 2018, despite the average headcount in 2018 being higher than that in 2017, as we believe that whilst training and development remains very important, we can drive increased efficiencies in the ways in which it will be delivered next year and so gain the same benefit at a reduced cost per head.

8.6 Performance audit

Performance audit costs relate to the costs we incur to gather necessary data and report on our performance against key metrics and targets (e.g. PMF targets) during the year.

The PMF forum has instructed that in 2018 they want Smart Energy GB to commission new regular analysis of the customer funnel, and also recontact surveying with consumers.

We have been able to offset some of the additional costs of the significant extra research necessary to carry out these instructions by removing from next year's activity stakeholder research and parliamentary research (which we believe was useful in the earlier stages of our life, but which we do not believe are any more necessary) and so hold the net increase in this area in 2018 to £54k (9 per cent) compared to 2017.

8.7 Premises and office running costs

We have conducted a review of premises and office running costs that reported that Smart Energy GB is paying very competitive rates on premises compared to the current market rate. Taking into account the unique lease terms agreed on our main office in London at the time of taking up that office, maintaining Smart Energy GB's current premises delivers best value for 2018. The cost of premises and office running costs have therefore been held constant to 2017 with only a marginal increase of 1 per cent. The major contributor to that 1 per cent is an increase in business rates of £36k; however, this has in part been offset by the fact that we increased the dilapidation provision in 2017 by £24k and therefore believe that no further increase is required in 2018.

8.8 Travel and subsistence

As an organisation delivering its work across Great Britain, some staff travel is a necessity. The travel and subsistence policies are regularly reviewed by the board's Audit & Risk sub-committee to ensure that they continue to be appropriate and value for money. In addition we encourage travel to always take into account the best environmental impact (such as maximising the use of trains). While our average headcount in 2018 will have risen over 2017, we believe that we can manage travel costs more efficiently in 2018 and so only increase travel and subsistence costs by 7 per cent between 2017 and 2018.

8.9 ICT

An increase in ICT budget between 2017 and 2018 is necessary. The primary increase is due to an increase in licences which are needed to reflect the full staff complement being in place for the whole of 2018. We are also investing in recommended malware protection (to a cost of £35k) in 2018; following a review of our IT infrastructure against the 'Cyber Essentials' standard.

8.10 Financial audit and accounting

We are budgeting for a provisional increase in the external audit fee plus a provision for an inflationary increase in book-keeping fees.

8.11 Insurance

We identify insurance through brokers. Our insurances were most recently renewed in July 2017, at which point we selected the most competitive policies available at that time, for an 18 month period to the end of 2018. As a result, the full year 2018 insurances budget is consistent with insurance costs in the second half of 2017, but higher than the full year 2017.

8.12 Legal

External legal support is used for the negotiation and confirmation of major contracts, such as talent contracts and marketing partnership contracts. In 2018, we are assuming the same amount of legal support will be required as in 2017.

8.13 Consultancy and Welsh translation

A small (£2K) budget is set aside for the translation of our three legally required corporate publications into Welsh: the annual budget, the Consumer Engagement Plan, and the Annual Report and Accounts.

In 2017 consultancy costs included Buzzacott LLP's independent audit of salary costs, and it is assumed that in 2018 we will want to commission a similar project.

The increase in this area between 2017 and 2018 is to cover any professional consultancy advice required to ensure proper compliance by Smart Energy GB with the requirements of the General Data Protection Regulation (GDPR) which comes into force in May 2018.

8.14 Depreciation

Depreciation provision in 2018 is consistent with policy and costs 2017; noting that in 2018 we will be depreciating a few additional pieces of IT equipment. There is therefore no change to our depreciation policy year on year.

8.15 Contingency

This contingency is to cover unforeseen events that we need to react to during the year. It appears higher than 2017 at this point in the year but this is because, at this stage in 2017, the contingency in the budget at the start of 2017 (which was £250k within the fixed operating costs budget) has now largely been released with only £25k still being held as of writing for unforeseen events between now and the end of 2017.

8.16 Tax

We will be liable to pay corporation tax on our bank interest. We are assuming the corporation tax rate will remain unchanged in 2018.

8.17 Bank interest and charges

This is consistent with 2017 and assumes our interest rate and cashflow remains consistent with 2017.

9. 2018 budget

9.1 The 2018 budget

The Smart Energy GB board's 2018 budget is presented below, split between the Capital Costs and Fixed Operating Costs. It includes a comparison to our latest forecast (as at 20 October 2017) of expenditure in 2017.

Thanks to efficiency through 2017, and in particular the staggering of recruitment through the year, we are currently forecasting that we will end 2017 with at least c£670k less in expenditure than originally budgeted. This figure is likely to be higher once the Q4 media plans are finalised. While we cannot hold any saving from this year and discount directly against 2018 budget contributions (as we return unspent 2017 monies to funders according to the market share against which they contributed it in this year), this saving will be processed in Q1 2018 once the final 2017 figures have been confirmed once the external audit of 2017 accounts is completed.

| Smart Energy GB 2018 budget | Q1 | Q2 | Q3 | Q4 | 2018 Total | 2017 latest forecast (as at 20 Oct 17) | 2017/2018 variance | |
|--|------------------|-------------------|------------------|-------------------|-------------------|--|--------------------|------------|
| Creative development | 759,135 | 2,027,910 | 492,655 | 732,701 | 4,012,400 | 4,830,553 | (818,153) | -17% |
| Media buy | 7,302,515 | 7,584,882 | 7,383,903 | 9,243,281 | 31,514,581 | 30,679,330 | 835,251 | 3% |
| Campaign insight | 528,000 | 73,000 | 282,000 | 120,000 | 1,003,000 | 1,180,085 | (177,085) | -15% |
| Digital | 804,659 | 197,678 | 655,179 | 241,035 | 1,898,552 | 2,366,809 | (468,257) | -20% |
| Marketing partnerships | 163,684 | 789,384 | 320,384 | 249,384 | 1,522,835 | 865,003 | 657,832 | 76% |
| Prior year released accruals | | | | | | (730,830) | 730,830 | -100% |
| Marketing total | 9,557,992 | 10,672,854 | 9,134,121 | 10,586,400 | 39,951,368 | 39,190,950 | 760,418 | 2% |
| Policy & public affairs (England) | 37,000 | 27,500 | 22,000 | 29,000 | 115,500 | 252,250 | (136,750) | -54% |
| Public relations (England) | 227,875 | 210,450 | 65,375 | 206,800 | 710,500 | 677,988 | 32,512 | 5% |
| Smart energy employers | 60,075 | 40,675 | 50,250 | 8,925 | 159,925 | 105,451 | 54,474 | 52% |
| Scotland public relations | 5,340 | 25,710 | 5,585 | 8,490 | 45,125 | 44,162 | 963 | 2% |
| Scotland policy & public affairs | 10,235 | 12,165 | 11,365 | 6,985 | 40,750 | 58,189 | (17,439) | -30% |
| Wales public relations | 3,250 | 23,250 | 4,550 | 2,450 | 33,500 | 30,188 | 3,312 | 11% |
| Wales policy & public affairs | 7,800 | 8,000 | 4,550 | 8,850 | 29,200 | 80,068 | (50,868) | -64% |
| Policy & communications travel & subsistence | 10,499 | 10,499 | 10,499 | 10,503 | 42,000 | 37,422 | 4,578 | 12% |
| Prior year released accruals | | | | | | (64,559) | 64,559 | -100% |
| Policy & communications total | 362,074 | 358,249 | 174,174 | 282,003 | 1,176,500 | 1,221,160 | (44,660) | -4% |
| Capital Costs | 9,920,066 | 11,031,103 | 9,308,295 | 10,868,403 | 41,127,868 | 40,412,110 | 715,758 | 2% |

| Smart Energy GB 2018 budget | Q1 | Q2 | Q3 | Q4 | 2018 Total | 2017 latest forecast (as at 20 Oct 17) | 2017/2018 variance | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|--|--------------------|------------|
| Salaries, NI & pension | 1,178,583 | 1,174,463 | 1,168,007 | 1,223,158 | 4,744,212 | 4,126,488 | 617,723 | 15% |
| Recruitment & retention | 81,000 | 21,000 | 31,000 | 31,000 | 164,000 | 160,473 | 3,527 | 2% |
| Health Screening & healthy living | 22,500 | 22,500 | 22,500 | 22,500 | 90,000 | 65,245 | 24,755 | 38% |
| Training & development | 101,891 | 81,891 | 81,891 | 81,891 | 347,563 | 348,595 | (1,032) | 0% |
| Performance audit | 126,000 | 253,500 | 86,000 | 188,000 | 653,500 | 599,165 | 54,335 | 9% |
| Premises & office running costs | 379,727 | 385,629 | 374,026 | 380,026 | 1,519,408 | 1,507,474 | 11,934 | 1% |
| Travel & subsistence | 36,000 | 36,000 | 36,000 | 56,000 | 164,000 | 153,013 | 10,987 | 7% |
| ICT | 155,964 | 92,919 | 81,233 | 106,747 | 436,863 | 393,689 | 43,174 | 11% |
| Financial audit & accounting | 15,000 | 15,000 | 15,000 | 35,000 | 80,000 | 74,187 | 5,813 | 8% |
| Insurance | 49,650 | 0 | 0 | 0 | 49,650 | 42,875 | 6,775 | 16% |
| Legal | 15,000 | 15,000 | 15,000 | 15,000 | 60,000 | 57,385 | 2,615 | 5% |
| Consultancy & Welsh translation | 21,000 | 0 | 15,000 | 1,000 | 37,000 | 25,751 | 11,249 | 44% |
| Depreciation | 125,700 | 125,700 | 125,700 | 125,700 | 502,800 | 489,217 | 13,583 | 3% |
| Contingency | 37,500 | 37,500 | 37,500 | 37,500 | 150,000 | 25,000 | 125,000 | 500% |
| Tax | 900 | 900 | 900 | 900 | 3,600 | 3,650 | (50) | -1% |
| Bank interest & charges | (4,290) | (4,290) | (4,290) | (4,290) | (17,160) | (17,331) | 171 | -1% |
| Finance & operations total | 2,342,125 | 2,257,712 | 2,085,467 | 2,300,132 | 8,985,436 | 8,054,877 | 930,559 | 12% |
| Fixed Operating Costs | 2,342,125 | 2,257,712 | 2,085,467 | 2,300,132 | 8,985,436 | 8,054,877 | 930,559 | 12% |
| Smart Energy GB Total | 12,262,191 | 13,288,816 | 11,393,762 | 13,168,535 | 50,113,303 | 48,466,986 | 1,646,317 | 3% |



The voice of the
smart meter rollout

