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Consultation on Information Requirements for Monitoring and Evaluation

SSE is pleased to provide comment on the Information Requirements for Monitoring and Evaluation consultation. We welcome the ongoing engagement with the Smart Metering Implementation Team and have provided answers to the specific questions posed by DECC in the attached annex.

The licence conditions as currently drafted provide the Secretary of State with the opportunity to interpret them as may seem appropriate at that particular time. SSE is concerned that the licence conditions could be extremely broad in their application. The proposed licence conditions fail to take account of the potential cost and time required in producing any new or ad hoc reporting requirements.

It is an entirely new concept suggested within the licence conditions that suppliers will be required to set their own benchmarks in relation to compliance with specific licence conditions. SSE does not support the licence condition in its current format. Given that this is not currently the case in any other energy supply licence condition, SSE firmly believes that further clarity is required. For example, if the Authority is to manage compliance against suppliers Roll-out Plans, the licence conditions must take account of unforeseen circumstances that are outside of a supplier's control. These should be incorporated within condition YY6 to include a list of potential triggers that would allow a supplier to approach the Authority in order to amend its Roll-out Plan. Given the dynamic nature of smart rollout and the untested nature it is inevitable there will be instances things do not go to plan. This could include public backlash, force majeure or supply constraints. We believe such instances should be taken account of within the licence drafting.

We are also concerned that DECC may request highly granular data from suppliers in order to monitor the progress of the rollout which would appear to duplicate those powers also being proposed for Ofgem. SSE would question the reason for DECC to require such powers when the energy suppliers can provide this information to Ofgem on an ongoing basis and DECC could simply access this information. The reporting and dissemination of the progress of the Smart Meter rollout per supplier should be limited to high-level information only to ensure that each supplier can remain within the legislative framework of the Data Protection Act 1998. SSE does not believe that such granular data is necessary to assist in the evaluation and monitoring and that data at a high-level will be sufficient to monitor the roll-out.

Annex – Consultation Questions

Section 8 – Regulatory proposals

- 1. Do the licence conditions as drafted, deliver the set policy intentions set out above – for example, to create a consistent, predictable and proportionate framework for monitoring and reporting? Do any specific areas of the draft licence conditions need amendment of clarification to deliver this policy, and if so, how should they be amended?**

SSE believes the current drafting of the gas and electricity licence conditions are too broad and too general. This applies to both the proposed supplier and network licence conditions. DECC has drafted the licence conditions prior to agreeing the framework or requirements in relation to reporting. Without certainty across all of the reporting requirements, SSE is concerned that the licence conditions will be extremely broad in their application.

It is an entirely new concept suggested within the licence conditions that suppliers will be required to set their own benchmarks in relation to compliance with specific licence conditions. SSE does not support the licence condition in its current format. Given that this is unheard of within any other energy supply licence condition, SSE firmly believes that further clarity is required. For example, if the Authority is to manage compliance against suppliers Roll-out Plans, the licence conditions must take account of unforeseen circumstances that are outside of a supplier's control. These should be incorporated within condition YY6 to include a list of potential triggers that would allow a supplier to approach the Authority in order to amend its Roll-out Plan. SSE is happy to discuss this further with DECC and Ofgem.

SSE is also concerned with the proposed licence condition and policy position to work alongside suppliers to determine cost efficiency and savings made as a result. Given that the energy market is vigorously competitive, it is inevitable that suppliers will pass cost savings through their respective businesses in different manners. Therefore, whilst certain cost savings will be obvious to one supplier, this may not be the case for others.

The licence conditions contain the relevant provision to allow for the Authority and the Secretary of State (SoS) to effectively request any information relating to the rollout of smart metering. While SSE appreciates the important nature of Government maintaining an element of control over the smart metering programme it is generally unprecedented for Government to have the ability to formally request information from an energy supplier. We strongly recommend that Government and Ofgem work together to streamline any reporting requirements that are to be placed on suppliers and network operators. This will ensure costs are managed efficiently and effectively.

The licence conditions as currently drafted do not attached a mechanism whereby the SoS or the Authority is required to consult with licensees to determine changes to the agreed reporting requirements. This is particularly relevant if suppliers need to invest in IT system capability to provide the required data and it is not unreasonable to expect a lead time in which to provide such data. Nor do the licence conditions determine any timescale in relation to when suppliers should provide or respond to such information requests. Also, any changes to reporting once established should be prospective only.

The licence conditions do not specify exactly what suppliers are expected to report upon and in which format. This provides suppliers and network companies with no ability to refuse, appeal or renegotiate any request from the SoS, without being in breach of licence. We do not consider this to be an acceptable, reasonable or proportionate position.

In relation to the electricity and gas distribution licence conditions, it would appear that the SoS will have the ability to request information relating to elements of the rollout that are not the responsibility of the relevant network operator. For example, the SoS will have the ability



to determine information from network operators in relation to the installation and operation of smart metering systems. SSE is concerned with this particular obligation as these responsibilities will not rest with the network operator.

SSE would prefer to have clear reporting arrangements set out well in advance of being obliged to provide this information in order to understand precisely what is required for reporting to the SoS. For example, we need to understand what is required, when and how this is to be provided in order to assess the requirements, impact and plan for implementation. Again, any changes to reporting should be prospective and not retrospective as it is not safe to assume that such historical data is readily available.

2. Is there a need for any consequential changes to existing licence conditions or codes to ensure that the proposed requirements on suppliers or network operators work as intended?

In order to measure roll-out progress a minor change to the Gas Supply Licence may be required to define electricity distribution areas. However, beyond this minor change, SSE does not believe that any further consequential changes to licence conditions or codes are required to allow the proposed conditions to work as intended.

3. What are your views on this proposed approach to the scope, frequency and timing of the content of Information Requests?

We are generally supportive of the proposed approach but remain concerned that the scope and frequency of information requests from the SoS could change without prior consultation as we have referred to in our response to question one.

Whilst we recognise the need for flexibility any changes in scope must take full account of the practicality and cost of producing such information. We suggest that DECC should introduce an agreed process within the licence drafting to propose modifications to any existing information requests and agree subsequent changes.

Section 9 – Ofgem’s oversight of smart meter roll-out obligations

4. Do you have any comments on the proposed framework for the provision of suppliers’ plans and reporting information to Ofgem? Are there any alternative approaches that might better achieve the aims of the framework?

We understand the need for Ofgem to monitor a supplier’s progress to ensure their rollout obligations will be met.

SSE is opposed to a licence condition that obliges suppliers to meet five consecutive annual rollout targets that are based on the original Roll-out Plan. As drafted, the Roll-out Plan would be established (at or around the time of DCC go live) without a clearly defined mechanism to subsequently readjust the original Roll-out Plan. Under licence condition YY7, there is no defined trigger under which the Authority would consider it appropriate to amend suppliers Roll-out Plan.

SSE does not consider it appropriate to be held against a Roll-out Plan that was produced with the best possible information at that time and circumstances (which are reasonably outwith a supplier’s control) then subsequently affect the information contained within this initial Roll-out Plan. Government has previously decided that suppliers would not be subject to rollout targets and as a result has stated a completion date upon which it expects suppliers to

have completed the rollout of smart metering. This represents a significant shift in policy without any real understanding of the impact or requirement to do so.

SSE proposed that event triggers are introduced and agreed and should reflect, in general terms, those events beyond our reasonable control e.g. DCC service provision failure, wholesale public rejection of smart meters, force majeure, DCC delay etc.

A sensible alternative would be to monitor against the submitted Annual Reports as these will naturally respond to recent events and be revised to ensure completion within the rollout period.

5. Do you have any comments on the appropriate format of, and interval between, the interim milestones?

We agree that annual milestones are appropriate and should be set at an overall percentage of the number of smart metering systems rolled out across Great Britain.

SSE supports a tolerance on any milestone for falling short but we do not support penalising a supplier for exceeding their target as this would seem perverse given Government's ambition to install smart meters as quickly as possible.

6. Do you have any comments on which elements of the above approach would be appropriate for smaller suppliers?

SSE firmly believes that the reporting elements should apply equally to all suppliers irrespective of size as each supplier will be required to meet the 31 December 2019 completion date.

As DECC has currently proposed, those suppliers with under 250,000 domestic customers would only be required to provide information on a voluntary basis. Given that a supplier could have, for example, 230,000 domestic customers within a concentrated geographical area, this could seriously impact the reputation of the programme should that supplier have any shortcomings during its rollout. Also, as DECC plan to use this information to inform the Consumer Engagement Strategy it would seem inefficient to discard such a significant amount of information and customers.

7. Do the licence conditions as drafted effectively implement the proposed framework described in this section?

As SSE has highlighted in our response to question one and question three, we remain concerned that DECC propose to introduce a licence condition that obliges suppliers to meet five consecutive annual rollout targets that are based on the original Roll-out Plan. As drafted, the Roll-out Plan would be established (as or around the time of DCC go live) without a clearly defined mechanism to readjust the original Roll-out Plan. Under licence condition YY7, there is no defined trigger under which the Authority would consider it appropriate to amend suppliers Roll-out Plan.

In relation to licence condition YY11, Ofgem must agree a process in which any proposed information requests are given to suppliers whilst full account of the scope, practicality, legality and cost in the production of such information. SSE cannot support these licence conditions without the introduction of an agreed process to propose modifications to any existing information (and new) requests from Ofgem (or the SoS) and agree subsequent changes taking into account those points raised above. We also believe that any reporting should only be prospective and suppliers should not be required to provide historical data based on the new criteria.

Section 10 – Data Collection and Handling

8. What are your views on the options for different geographical granularity of data collection for:

- **Monitoring the roll-out of smart meters**
- **Tracking the impact of smart meters on consumer's energy use for a sample of consumers**
- **Understanding the benefits**

SSE welcomes that DECC are minded to continue to measure the monitoring the roll-out of smart meters, including supplier's plans and their progress on those plans, at DNO level.

SSE supports the use of sampling to track the impact of smart meters on consumers' energy use. However, we feel that the use of meter level data would require customer consent as we believe such data is personal data under the Data Protection Act. Given our view on meter level data, it is of concern that the sampling methodology in paragraph 10.19 requires the provision of personal data for all meter points. SSE would be happy to work further with DECC on approaches to track the impact of smart meters on consumers' energy use that do not require the collection of personal data from every household in the country.

Of the data collection options proposed, SSE believes that only the provision counts of installations and other data items at a geographical level resolves the issues around consent for the collection and use of personal data. We believe data can be provided at partial postcode (first part) level without the risk of identifying individual customers.

9. What are your views on this approach to the publication of aggregated and supplier-specific information?

The reporting and dissemination of the progress of the Smart Meter roll-out per supplier should be limited to high-level information only to ensure that each supplier can remain within the legislative framework of the Data Protection Act 1998.

Whilst a supplier may give its own consent to the publication of confidential or sensitive information, it is important that the right of the individual consumer is not forgotten in this process. Information such as a full post code or even a MPAN/MPRN could lead to the identification of the individual account holder and therefore would constitute personal data for the purposes of the Data Protection Act 1998 (the DPA). Suppliers would be unable to pass this information to Government for the purposes of evaluation and monitoring of the roll-out, without the customer's consent or a new legal framework to override the customer's decision.

Furthermore, SSE does not believe that such granular data is necessary to assist in the evaluation and monitoring and that data at a high-level will be sufficient to monitor the roll-out. For example, the outward part of the postcode will be sufficient to identify the areas where the roll-out is taking place without any concerns that an individual customer will be identified. The level of granularity should not be any more detailed than this to ensure DPA compliance and will allow Government to analyse the roll-out in reference to the different areas of the UK. In addition, if the reports are produced on a detailed level of granularity, the information provided would be large and SSE cannot see the benefit in monitoring the roll-out in such a micro-managed format. The roll-out can be analysed and managed by knowing how many meters have been installed, how many IHDs have been issued/rejected and how many customers have signed up for 30 minute meter readings, without having to provide the details of the address or the full postcode.

The aggregation of data to assist with the roll-out and to tackle specific groups would be satisfactory, provided it remains at a level that ensures the data is anonymous, does not

breach the DPA, does not include commercially sensitive information (e.g. pricing and tariff information / data, efficiency, costs savings and other sensitive information that could impact a supplier's share price) and does not identify the supplier.

Even where confidential or commercially sensitive information is aggregated, there is a significant risk that the information could be linked to identify the supplier. This is particularly concerning given that the information could have wide ranging consequences on the supplier's reputation, share price and customer base. Supplier specific and commercially sensitive information should only be provided under the regulations as part of the monitoring and evaluation roll-out voluntarily, and suppliers should not be obliged to provide information that they perceive as commercially sensitive. If a supplier chooses not to publish the information, then the supplier should not be forced to do so under licence, regardless of the effect of section 105 of the Utilities Act 2000.

SSE supports the need for general, aggregated data, such as the number of meters installed, to be included in the report but cannot support the position that suppliers have to include within their report confidential and commercially sensitive information, particularly in connection with pricing, efficiency, costs savings and other sensitive information that could impact a supplier's share price.

Even if DECC or Ofgem do not publish commercially sensitive information submitted by an individual supplier without aggregating the data first, the supplier may still be identifiable. The risk of identification also increases if the data is aggregated by region (or regions within a region) as a legacy of pre and post privatisation. DECC should not have an outright discretion to request commercially sensitive information, and ultimately, aggregate and publish commercially sensitive information without the consent of the supplier. The supplier must have an absolute discretion as to whether to submit such information to DECC or Ofgem.

The rollout can be effectively monitored by the use of high level information such as how many meters have been installed, how many IHDs have been issued/rejected and how many customers have signed up to 30 minute meter readings. Again, this level of granularity will enable Government to actively monitor the roll-out of the meters, within an easily identifiable area of the UK without any breach of the DPA by the Supplier and without the need to publish any commercially sensitive information.

Consideration must be given to the application of the DPA in relation to the proposed licence conditions, in this instance and in relation to the other proposed licence changes, to ensure that Suppliers are not obliged under licence conditions to breach the Data Protection Act. We recognise the need for monitoring the roll-out, but the scope must take into account a supplier's need to keep information confidential and must take account the practicality, legality and cost of providing the information.

10. What are your views on the assumptions about the cost burden on suppliers of collecting and reporting on these data and information requirements? What could DECC do to minimise costs further?

Given what we have seen to date, the assumptions and conclusion reached are reasonable. However, we can only report upon what is collected and as such changes to scope must be handled carefully. In particular, metrics to measure supplier efficiency savings can only be based on what we collect and measure today. Any requirement to collect additional cost categories or to change current accounting practices would add significant additional costs in the form additional resource and investment in order to provide the information.

As discussed in our response to question three, we remain concerned that the scope and frequency of information requests may change without due consultation. We recognise the need for flexibility but any change in scope must take full account of the practicality and cost



in the production of such information. As previously suggested SSE cannot support these licence conditions without the introduction of an agreed process to propose modifications to any existing information (and new) requests from Ofgem (or the SoS) and agree subsequent changes taking into account those points raised above.

It is essential that data collection and reporting to support the rollout of Smart Metering is coordinated with existing reporting requirements on Suppliers to avoid duplication of effort.

Section 11 – Annual Supplier Report

11. What are your views on the information that large domestic suppliers should provide to Government on an annual basis?

SSE is concerned with the proposed licence condition XX 8. Recent discussion with DECC would seem to suggest that whilst both SSE and Government agree upon the need to provide accurate and complete data, we have acknowledged that this may not be possible in all circumstances.

In order to achieve average costs measures, SSE would need to apply high level partitioning of gross operating costs. We would be able to provide consistency in approach and could address changing operating models by adjusting these factors. It must be recognised that in some areas this is the only practicable approach and the licence drafting must not prevent this pragmatic solution.

Section 12 – Regular monitoring data

12. What are your views on the information that suppliers should provide to the Government on a regular reporting cycle?

Based on SSE's current understanding of the information that Government is likely to request, this would appear to be a reasonable set of measures to collect on a regular reporting cycle.

However, we are concerned that these could be expanded as we have set out within our response to this consultation. For example, Government may decide to request more granular data than was first envisaged and SSE may not be able to respond to certain information requests due to DPA concerns (as set out in our response to question nine).

As we have suggested previously in our response, SSE cannot support these licence conditions without the introduction of an agreed process to propose modifications to any existing information (and new) requests from Ofgem (or the SoS) and agree subsequent changes taking into account those points raised above.