

October 13th, 2011

Smart Metering Implementation Programme – Roll Out Team
Department of Energy & Climate Change
3 Whitehall Place
London
SW1A 2AW

Dear Sir,

A call for evidence on data access and privacy

Please find First Utility's responses below.

Q1. Please submit any further evidence, such as surveys or consumer research, regarding privacy issues and smart metering. In particular is there evidence available about the extent of any potential consumer concerns about the availability of daily versus half hourly data?

Although certain consumer groups have expressed concerns over privacy issues in relation to smart metering, the view of First Utility is that suppliers need to be given access to half hourly data in order to provide the full benefits of smart meters. For example, time of use tariffs are unlikely to be developed without access to half hourly data and this will result in a lost opportunity to encourage load shifting at times of peak network demand by these means. We would support an opt out for those customers who do not wish to provide suppliers with half hourly data but it will need to be emphasised that certain products and services will then not be available to customers in this situation.

In our opinion the main point here is that the greater the amount of data available, the greater the savings that will derive from this. For example, a better understanding of the relationship between weather conditions and consumer behaviour could result as well as the opportunity to warn customers if their usage in any given month is likely to be significantly higher than normal.

Q2. To what extent would different rules for access to data between suppliers and third parties be expected to impact on the development of an energy services market (in terms of product and tariff innovation and / or entry to the energy market by third parties)? What are the particular data uses to which these concerns apply?

We do not believe that there are any grounds to differentiate between suppliers and third parties such as energy services companies as regards data usage, particularly as we are in agreement with the view that customers should be able to opt out of data provision to parties whom they do not wish to have access to this. Again, we wish to reiterate that the development of a potentially large number of products and services are likely to be disincentivised in the case that suppliers and third parties are not given access to half hourly customer data as the default scenario.

Q3. Are there any data uses, apart from those set out below, where the arrangements for access to data could have an impact on the benefits of the programme? How does this analysis differ for the gas market?

We feel it is likely that both energy efficiency and product innovation (and therefore competition) may be seriously affected if suppliers are not given access to half hourly customer data as the default scenario (although we are in favour of customers being able to opt out of this should they wish to do so). Gas, unlike electricity, is balanced daily and is generally used for purposes such as heating which are less likely to indicate whether or not the customer is in residence. We therefore feel that there are considerably fewer grounds for concerns over privacy in the gas market than in the electricity market.

Q4. What types of energy services and energy advice could be provided by the market (by suppliers and / or ESCOs / potential new entrants) that require access to specific levels of data? What level of data granularity (frequency, time lag) are needed to provide such services and what is the potential impact of these services in terms of percentage energy savings?

Services such as time of use tariffs which are likely to benefit the entire market by providing incentives to load shift at times of peak network demand will require as great a level of granularity (ideally half hourly) as possible in as near to real time as possible. A time lag of more than 15 minutes or so would reduce the value and effectiveness of these products. We believe that products of this type could result in demand side reduction of up to ten per cent at times of severe network stress.

Q5. Should theft management be considered a regulated duty for which suppliers should have access to a certain level of smart metering data? What level of data would be required and how would this be used to manage theft?

Theft management at a domestic level should be considered a regulated duty as theft has a considerable impact on the wider market. However, we would suggest that data is not required at as great a frequency for this purpose as for the purposes described above. For both gas and electricity, daily data would probably be suitable for this purpose. The data could then be studied for unusual consumption patterns which could indicate that theft was being committed.

Q6. Does data need to be collected from all customers all of the time for theft management, or could there be a trigger for accessing more detailed data (for example where theft is suspected)?

For theft to be properly monitored, it would seem appropriate for information to be collected for all customers at a daily level, particularly as each home will have a smart meter fitted by the end of the rollout in 2019. This will then provide great benefit to the wider market in terms of quantifying the size of the problem which is as yet not fully known. It will also deter theft if customers are aware that this information is being collected. Where the supplier has reasonable grounds to suspect that theft is being committed, access to data should then be provided at a greater level of granularity (particularly in the case of electricity) in the case that the customer has opted out of half hourly data provision so that this can be more closely studied for suspicious consumption patterns.

Q7. What level of take up of time of use tariffs could be expected under different scenarios for access to data? What information is needed to design time of use tariffs? In particular would sample or anonymised data be sufficient?

We believe that a significant number of customers will be attracted to time of use tariffs once the energy and cost saving benefits of these are properly explained. A reasonably large amount of half hourly consumption data would ideally be provided for this and this should be customer specific as different customers' usage patterns can vary significantly. We do not believe that customers are

likely to gain significant insights into their energy usage at different times without a view of at least half hourly consumption data. Without these insights they are unlikely to change their behaviour in terms of load shifting at peak times and achieve savings as a result. For example, First Utility currently offers a three rate time of use tariff but for this to be of real benefit to the customer in terms of cost saving and to the wider market in terms of load shifting, half hourly data is required.

Q8. Do you agree that individual half hourly data is not currently required for suppliers to meet their obligations in relation to settlement? Over what timescale are any changes to settlement likely to take place and what might the implications be in terms of data requirements?

Although it is true that domestic sites are not currently individually reconciled in either gas or electricity, it seems very likely that reconciliation of this type will develop once smart meters are widespread as great benefit would accrue to a wide range of market participants as a result of this. Different customers have different usage patterns and, for this to be reflected and benefit provided to each consumer, half hourly data provision and settlement in the electricity market for domestic customers is required as quickly as possible. In the gas market, daily information and settlement should suffice.

Q9. How far would aggregated or sample data provide suppliers with what they need in the area of wholesale hedging?

Aggregated data is likely to be of considerably more benefit than sample data. However, in order for suppliers to derive a better view of what amounts of energy are required to more accurately hedge their customer demand, half hourly data would be the most preferred option. The reduction of market risk that will result from more accurate demand information is also likely to benefit competition.

Q10. What level of data would be required and how would this be used to manage debt?

The more granular the data provided, the more useful the advice that the supplier would be able to give to consumers in relation to their level of energy consumption and how they could reduce this in order to assist in managing debt. Within day information would be the most useful as this would then give the supplier a clear picture as to varying levels of customer consumption at different times of day. As a minimum, we feel that demand information every four hours or so in electricity (in line with the traded IFA blocks) would be needed for this purpose. However, as in our answers to the questions above, half hourly data would be our most preferred option as this would provide a more detailed view of individual consumption allowing for more customer specific advice to be given. For gas, daily information should suffice.

As another aspect of debt management, First Utility believes that data processing techniques could be used to combine metering data with other data to proactively identify vulnerable customers and provide them with personalised behavioural messaging. The efficiency benefits deriving from this could provide even greater benefits for this particular group.

Q11. How would suppliers envisage using daily data to support debt management and what evidence do they have to support claims of additional savings that could be achieved with access to daily data as opposed to less frequent data?

As stated above, the more granular the consumption information provided, the more the supplier will be able to identify periods when consumption is particularly high and assist consumers with

reducing this as part of a debt management process. Four hourly data (in line with the IFA blocks) would be an absolute minimum for this assistance to be effective as less frequent provision of data is likely to make it harder for suppliers to advise customers of where savings can potentially be made. Once again, half hourly data would be our most preferred option as this would enable suppliers to provide detailed advice specific to each customer.

Q12. How could smart metering data be used to identify and protect vulnerable consumers? Should such activity be considered a regulated duty and are any licence changes required to create particular duties on suppliers in this area?

This would be useful to identify whether or not the consumer is using gas for heating as would be expected or to quickly identify self disconnection in the case of pre payment meters so that the supplier can quickly respond to this and provide assistance. We would support this being a regulated duty in relation to vulnerable customers. A licence condition could be created requiring suppliers to monitor the consumption of this particular customer group on a regular basis for this purpose.

Q13. Do you consider that use of data by network companies to support them in maintaining an efficient and economic network should be considered a regulated duty?

Yes, as the more accurate and frequent the demand information that network companies receive, the more likely they are to be able to quickly respond to issues on their network. In addition charging and investment decisions are likely to more efficient and cost reflective, thus providing benefit to both consumers and competition as a whole.

Q14. Do you agree with the requirement for such data to be anonymised or aggregated wherever possible, and how should this be monitored?

We believe that data should be anonymised rather than aggregated as aggregated data is generally less useful for analytical purposes.

Q15. Would suppliers be expected to advise consumers of network company usage of data given network companies do not have a direct relationship with customers?

This seems reasonable.

Q16. Are there any alternatives to a basic opt in or opt out approach to consumer choices such as some form of prompted choice? What are the practical and consumer protection considerations in relation to different option (for example, when and how)? From a consumer perspective what alternative approaches and vehicles (for example letter, email, phone) to seek customer consent are there?

We would support an opt out approach with communication made in the first instance by email. This would then be followed up by a letter and a telephone call in the case that the customer did not respond to the initial communication.

Q17. What evidence is there of likely take up rates that could be achieved through different approaches to consumer choice?

We are unaware of any research that has been conducted in relation to this. However we are confident that the majority of customers would agree to the supplier accessing granular smart metered data once the benefits of this (time of use tariffs, debt reduction assistance) were explained to them.

Q18. What current and future technical options exist for energy consumption data minimisation / privacy enhancing technologies? How might aggregated or anonymised data be provided in practice? Would this imply additional services to be provided by DCC?

We are unable to comment on the technical aspect of this question, but we feel that it would be easier to anonymise data than aggregate it. We agree that anonymisation could be carried out by DCC as part of its regulated functions.

Q19. What parts of the privacy policy framework do you think should be delivered by regulation and why?

Requirements around the treatment of data by suppliers could be licensed, in addition specific functions such as monitoring for theft and access to greater granularity of information for opted out customers for reasons such as debt advice could also be licensed in this manner.

Q20. What is the most effective way to set out any sector specific protections around privacy (e.g. licence conditions or other alternatives)?

Licence conditions for both suppliers and network operators would seem to be the most effective way to achieve this aim. We are however cognisant of the fact that energy service companies are not licenced entities. Perhaps it would be appropriate to make some aspects of their work licensed activities with an ESCO licence created specifically for this purpose, together with existing Data Protection law.

Q21. What practical options for authentication would provide the right balance between allowing easy access to consumer data in the home while providing the necessary privacy protection? Are there any other issues or options that the programme should be considering in developing the approach in this area?

Provision of a code for authentication seems to be the most appropriate option. The supplier could also have a copy of this code and provide it to the customer should this be required after the completion of a number of security checks (password, personal details etc.) This is standard practice in the banking industry and we do not believe that the vast majority of consumers will have problems with this although, of course, extra assistance can be provided to those customers who need it.

Q22. Are there other issues that need to be considered to make using the HAN a viable route for access to data in the home, from either a process or consumer perspective?

Care should be taken to balance the desire of customers to use the HAN for data access purposes within the home with the possible effects of this on the operation of the HAN for its main purpose of interfacing with the smart meter. We do not believe suppliers should be responsible for additional devices attached to the HAN that are not related to this purpose although suppliers should be able to choose to be if they wish to do this for the purposes of innovation and differentiation. We would

also add that any option to allow the HAN to be used for this purpose should ensure that data security is preserved.

Q23. What sort of arrangements would provide an appropriate balance between providing ease of access for consumers seeking to sign up to new services and adequate protection for consumers' data when accessed via DCC? Do you have any suggestions for alternative approaches?

As with our answer to Question 21, we believe that it would be appropriate and straightforward to institute a number of security checks to ensure that the customer is who they say they are.

Q24. Are there other issues or options that the programme should be thinking about for the Foundation Stage or for non domestic customers to facilitate access to data?

We are unable to think of any at this time.

Q25. Do you have any suggestions as to how the Foundation Stage can be used to further learn about our approach to data access and privacy?

It is imperative that consumers be educated about the benefits to them of suppliers being given access to data in as granular a form as possible. A government information campaign conducted via television and the press would be beneficial although we wish to reiterate our belief that customers should be given the option to opt out from this should they wish to do so.

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