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Smart Metering Implementation Programme-Regulation Team
DECC
Room 103
55 Whitehall
London
SW1A 2EY

18th May 2012

Smart Energy Code (SEC) Consultation

Consultation reference: URN 12D/034

Dear Sir/Madam,

Ovo Energy welcomes the opportunity to provide responses to the questions raised in the above consultation. Enclosed are our responses to the questions required by June 1st.

We are concerned regarding the layers of bureaucracy being suggested for smart metering where panels, administrators and Directors are being suggested in a multitude of areas. Ultimately it will be the customers who will pay for these costs via their utility bills. It's vitally important that all involved strive to ensure that we deliver a robust and workable solution at an acceptable cost to all concerned.

Question 1: Please provide any comments that you have on the classification of party categories under the SEC.

The classifications appear to be sufficient for commencing DCC services.

**Question 2: Are the requirements of both meter asset providers and meter operators for access to smart metering systems adequately captured in this consultation paper?
If not, please provide additional details of the requirements and why they are required.**

We believe that they are.

Question 3: Do you support the Government's preferred solution to implement a simple variant of Option B whereby the registration of a meter operator in the existing electricity and gas registration systems would be deemed to constitute a nomination by the supplier of that meter

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operator to act as its agent to perform a specific set of commands?

Our preference would be option B. However, based on the concerns regarding the detrimental effect on the roll-out and the likely risk premium if the MAP is unable to gain access to a sufficient level of data, it's clear that a solution needs to be found. The suggestion that data can be provided voluntarily via Option A is unlikely to satisfy the MAPs and ease the concerns stated above.

Now would be the time to make any changes required to the processes to allow this data to be accessed. Our priority should be to look at resolving these issues at commencement, especially where we know there's a problem that's likely to affect the costs passed to customers.

Question 4: Should meter operators be given limited participation rights in SEC governance under Options B or C, and if so what rights would be appropriate?

It would be sensible to provide them with sufficient participation to allow them to be invoiced directly for access to the data. However, as the obligation regarding the frequency that data can be accessed resides with the supplier, they should continue to regulate the access provided to the meter operators.

Question 5: Would you support the tracking of assets being included within the future system requirements for the new registration systems, which are proposed to be provided by the DCC?

We are fully supportive of this solution if it resolves the concerns we have highlighted in Question 3. It would seem that the simplest solution would be to amend the D0303 [Notification of Meter Operator, Supplier and Metering Assets installed / removed by the MOP to the MAP] and allow this flow to be triggered by the DCC (a gas equivalent needs to be constructed).

Question 6: Do you agree with the process proposed for accession and the accession time limit?

Accession to the code should not involve an arduous process for a gas supplier, electricity supplier, gas transporter or electricity distributor as the companies involved have already undergone strict accreditation processes. It therefore appears a superfluous step to ask them to provide anything other than basic company details and their respective MPID or gas code.

However, it appears sensible to ensure that any 'other user' is deemed a fit and responsible company to accede to the SEC and they should have to provide additional information to prove this.

Question 7: Do you agree that once acceded, any SEC Party should be able to participate in the

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governance of the SEC prior to undertaking any further entry processes?

Once again, if the party is one of the 4 main classifications (gas supplier, electricity supplier, gas transporter or electricity distributor) they should be allowed to participate in the governance of the SEC as soon as they have acceded to the code. Once again, any 'other user' should be subject to additional checks, although this could encompass further information being provided as part of the initial accession.

Question 8: Do you have any views on the company, legal and financial information that should be provided as part of the SEC accession process?

As stated above the 4 main groups should be able to accede based on providing their MPID/gas 'supplier code' and company registration number and address details.

Question 9: Do you agree that Government should not mandate a specific solution for the DCC User Gateway and that Data Service Provider (DSP) bidders should be invited to propose the solution which they consider to be the most effective (such proposals could include the option of extending an existing industry network)?

It would seem to be a sensible solution to allow this choice. However, there should be a process whereby any new option needs to be shown to be more costs effective other than the existing networks (both the upfront costs involved and the on-going costs).

The most sensible choice would appear to be the use of the DTN as this is a proven network for delivering electricity flows and is also used by a number of parties to receive and send gas RGMA flows.

Question 10: Do you have any other comments on the Government's proposals for the DCC User Gateway?

As a small supplier our concern would be the costs of implementing a new network solution. Even if we have the choice of using the existing networks, the costs of augmenting these systems to communicate with the DCC for a small number of suppliers is likely to be significant. These suppliers may find themselves using the same communication method, but being charged significantly more to enable them to offer a smart service.

Question 11: Do you agree with the proposed DCC user entry processes?

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It's vitally important that the entry processes examines the issue of security. There seems to be a continuous stream of negative smart meter stories regarding security breaches and the security failings of these meters. It's therefore imperative that there is a full security process that any prospective user of the DCC gateway has to be compliant with.

Question 12: Do you agree with the proposed rights and obligations relating to smart metering system enrolment set out in this chapter? Please provide your views.

Ovo do not support the scenario where a non-domestic customer is able to enter and exit the DCC as the customer changes from supplier to supplier. If a non-domestic smart meter is registered via DCC, there should not then be the option to remove this meter from the DCC (unless the meter is removed from the property or the supply is disconnected). We believe that a non-DCC communication method provides an inferior service to non-domestic customers.

Question 13: Do you agree that the SEC should require, as a condition of enrolment, that the supplier grants the right to the DCC to access its smart metering system for specified purposes?

We agree, but any access needs to be aligned with what has been agreed between the customer and the supplier. As it has now been agreed that suppliers must allow the customer to opt-in to receive half hourly data, a decision to not allow half hourly data to be accessed should be reflected in the data access allowed to the DCC.

If there are 'other' purposes where it is essential that the DCC on a regular basis, or on an ad-hoc basis, accesses the meter; suppliers will need to know so that this can be included in their Ts & Cs to the customer.

Question 14: Do you agree with the proposed rights and obligations relating to smart metering system withdrawal and replacement of devices?

There needs to be further clarification as to how the DCC will be notified of the intention to remove the meter (for electricity will we use the current D0142 [Request for Installation or Change to a Metering System Functionality or the Removal of All Meters] flow?)

In section 154 the first bullet point needs to state, 'An obligation for suppliers to enrol domestic smart metering systems...' The fourth bullet point needs to assign time scales for the DCC to provide confirmations, as this needs to be confirmed whilst the meter installer is at site to ensure

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that any issues don't lead to return visits, causing instances of poor customer service.

Question 15: Do you agree with the three different types of eligibility to receive core communication services that have been proposed?

Type C eligibility needs to be closely regulated, as we are concerned that customer data will be available to other suppliers and energy service companies. The suggestion seems to be that access to the data may therefore not be controlled by the incumbent supplier, which removes the supplier hub contractual control where supplier agents are allowed to access the data.

Whilst we agree that the customer's data is theirs to use to their benefits, we need to ensure that the customer is providing explicit consent for any other parties to access their data. We would therefore want to see a fully agreed and robust sign off process, to prove that the customer has given their consent before we could agree to Type C eligibility.

Our concern is that a badly thought out Type C eligibility could undermine the entire smart metering project.

Question 16: Are you aware of situations where there are two or more importing suppliers in relation to a single smart metering system and if so, where do such situations exist, how many exist and what metering arrangements have been made?

We are not aware of this situation.

Question 17: Do you agree that amendments to the set of core communication services should be subject to the standard SEC modification process?

It would seem practical to follow this route, as long as the initial core communication services encompass the supplier's requirements.

Question 18: Do you agree that SEC Parties should be able to request elective communication services from DCC on either a bilateral or multilateral basis?

Yes, as long as the core services cover all basic requirements to provide customers with a comprehensive smart service. Elective services should then be paid for by the requesting supplier and not subsidised in any way by other suppliers.

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Question 19: Do you agree that the following SEC requirements associated with the provision of core communication services should also apply to elective service provision: DCC user entry processes, technical security requirements, data privacy requirements, financial security requirements and dispute arrangements.

There needs to be a sensible approach as to what can be requested via elective services and it would seem that for certain areas we need a comprehensive approach, where no elective service provision is required. This should cover most if not all of the areas listed above.

Question 20: Do you agree that the SEC should set out mandatory procedures for the provision of an offer of terms for elective communication services by the DCC and with the mandatory procedures proposed? Do you consider that any additional procedures should apply? What do you consider are the appropriate timescales within which an offer of terms should remain open?
Yes, there should be a mandatory procedure. It would seem sufficient to leave the offer open for 20 working days.

Question 21: Do you agree that commercially sensitive terms and conditions associated with elective service provision, which might include the type of communication service that is being provided, performance standards associated with the provision of that service and the price associated with that service, should be confidential between the DCC and the party or parties receiving the service unless the party or parties receiving the service consent or unless requested by the Authority pursuant to the DCC Licence?

Yes, specific elective requests and the commercials linked to them should remain confidential.

Question 22: Do you agree that the SEC should contain provisions requiring that the DCC notifies SEC Parties of the timing of the implementation of changes to its systems?

There should be generic notification without releasing any confidential details. However, it's imperative that releases should be timed to ensure that they have no-effect on the DCC systems and services and they definitely should never compromise end-to-end security.

Question 23: Do you agree that the DCC should only be required to offer terms for elective communication services from a specified date, and if so, what do you consider that date should be?

It would appear sensible for the DCC to have a bedding in period to concentrate on core services,

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but we must therefore ensure that core services provide the early stage facilities required for smart to be a success. We would therefore suggest an initial 12 month period from the inception of the DCC where no elective services are offered.

Question 24: Do you think that the proposed approach for DCC charging is reasonable?

It would appear that a fixed and variable element is a sensible approach. This would ensure that the DCC are not exposed with regards to the set costs they incur, but also ensures that customers choosing to opt-out of receiving profile data will be able to incur a smaller variable charge than a customer receiving the full half-hourly data. Also, prepayment customers are likely to require an additional volume of communication and credit customers shouldn't subsidise this. We do understand the need for DCC to mitigate volumetric risk and would therefore suggest that fixed elements are included in the fixed charge.

To incentivise non-domestic meters to communicate via DCC we would like to see uniform prices for this customer set as well. If, as suggested, there are location variances we are likely to have the possible scenario of non-domestic customers only being registered in the cheaper areas.

However, our biggest concern is that the take up of smart will not be as expected, due to the optional nature of the metering. It therefore needs to be clear what fixed costs the DCC will incur even if there are no meters on the wall. It would be unfair if certain suppliers manage to convert the majority of their customer base to smart and find that they're incurring a high proportion of costs, plus being charged an under recovery on a retrospective basis. Ultimately this would be passed on to the smart customers and could irreparably damage the trust in the roll-out and the product. To mitigate issues of under recovery, we would like to see a cap in place to only allow a certain percentage to be recovered.

For distribution and network operators there should be a fixed charge element, as smart will provide them with the ability to obtain valuable information from the meters. This ability must have a defined value. Allowing them to pay only when the data is required would be unfair to suppliers, as we're then paying to benefit others. There is therefore a need to have a similar fixed and variable element for the distribution and network operator companies.

Any emergency funding should be targeted to all parties (suppliers, distributors and network operators) by overall market share and not based on the meters registered via DCC. This structure ensure that there's not an incentive for suppliers to not register meters in the early years, as this is likely to be the time that any emergency funding will be required.

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Question 25: Do you consider that the “pay now dispute later” approach is consistent with the envisaged DCC regime? If you disagree please set out the reasons for your preferred approach.

We believe there should be a similar scenario to supply billing where customers are able to query a bill, but have to pay the unqueried portion. This would seem a sensible approach, rather than enforcing payments terms that suppliers are unable to duplicate when dealing with customers. There should then be a set response time from DCC and agreed payment terms once the response has been received, to ensure that disputes are not used as a means to delay payment.

Question 26: Do you accept that bad debt should be socialised explicitly within the current charging period across all DCC service users? If you disagree please set out the reasons for your preferred approach.

This option could inadvertently affect smaller suppliers, as they tend to be pro-smart and arguably have greater flexibility to convert a larger proportion of their customer base to smart during the early period of the roll-out. The preferred option would be to apportion any debt based on the total domestic and small non-domestic market share for each supplier.

Question 27: Do you agree with the proposed functions, powers and objectives of the SEC Panel, as set out in Boxes 12A and 12B?

There should be an additional objective, ‘that all activities to allow the SEC to endure are financially transparent’.

Question 28: Do you think that a fully independent panel is the appropriate model for the SEC? Please give reasons for your answer.

Ideally, a fully independent panel would be preferable. However, it’s clear that the panel is going to require industry knowledge so the likelihood is going to be that the members will have historic links to suppliers, distributors or network operatives.

Question 29: Do you agree that the proposed SEC Panel composition set out in Box 12C is appropriate? Please give reasons for your answer, Alternative proposals for the panel

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composition are welcome.

No, we don't agree that 'other users of DCC services' should have twice the number of members as the smaller suppliers. The smaller suppliers are experiencing rapid growth and helping to drive competition and change within the industry. The smaller suppliers are also likely to drive the uptake of smart metering and our pro-smart stance will lead to us converting a larger percentage of our customers to smart metering. We therefore deserve to have 2 members whilst the 'other users of DCC services' should receive 1 member.

Furthermore, companies should be precluded from having a supplier and distributor on the panel where they are vertically integrated.

Question 30: Do you agree with the proposed division of voting and non-voting members, and in particular do you believe that the DCC should be a non-voting member in respect of any or all aspects of panel business?

We are happy to follow common industry practices.

Question 31: Do you agree that the proposals for the independence, appointment and term of office of the panel chair are appropriate? Please give reasons for your answer.

We are happy that the panel chair should be independent in line with Ofgem's Code Governance Review.

Question 32: Do you agree with the proposed arrangements for panel member elections and appointments?

We agree with the 'one vote per corporate group' suggestion to ensure that the voice of smaller suppliers is heard.

Question 33: Do you agree with the proposed rules in respect of proceedings and decision making at SEC Panel meetings?

We would add that it should be ensured that meetings are held in convenient and central locations for the panel (not London for every meeting).

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Question 34: Which of the two options for remuneration of panel members do you prefer, and why?

In particular which of these options do you believe would be most aligned with each of the options for the panel to be either an independent or a representative body as a whole?

Option 1 would be our preference.

Question 35: Do you think the Code Administrator and Secretariat chosen by the SEC Panel should be contracted through the DCC or through a SECCo?

If funded by the DCC and providing it didn't lead to additional costs by being a separate entity, we can see the impartial benefits of using a SECCo.

Question 36: If a SECCo was established what should its funding arrangements, legal structure, ownership and constitutional arrangements be?

We have no other views to add, other than the cost issue highlighted in question 35.

Question 37: Do you have any views on the proposals regarding which parties should be entitled to raise SEC modification proposals?

We agree with the list provided.

Question 38: Do you have any comments on the proposed standard progression paths for different categories of modification?

No

Question 39: Do you have any comments on proposed criteria that the panel would apply to judge whether a proposal is non-material and so to determine which path should be followed?

No

Question 40: Do you think it is for the panel or for the Authority to decide whether a modification proposal should be considered urgent and determine its timetable?

As the panel is in place and it is practical for them to decide the urgency of a modification.

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Question 42: Do you agree with the proposal that responsibility for making final decisions or recommendations on SEC modification proposals should always rest with the SEC Panel and that this power should not be capable of delegation?

Yes, it should always rest with the SEC panel.

Question 43: Are there any further matters relating to the modification process which you would like to comment on?

No

Question 44: Do you agree that that the SEC should place certain obligations on the SEC Panel and, possibly, SEC Parties with regard to the production, provision and publication of certain information and reports? If so, what do you believe these should be?

Yes, we agree with the list in 369.

Question 45: Are there any particular areas of risk that you believe should be addressed by appropriate compliance/assurance techniques under the SEC?

We need to ensure that there are strict DPA guidelines for the 'other user' to ensure that non-signatories are not accessing data where they don't have the relevant permissions from the supplier or customer. This has the potential to undermine the smart project.

Question 56: Do you have any views on the suggested framework for dealing with defaults under the SEC, including the events, consequences and procedures described? In particular, do you agree with the proposed role for the SEC Panel and have any view on what SEC rights or services it would be appropriate to suspend in the event of a default?

It would seem to be appropriate to suspend any elective services first as well as any data other than the monthly read required for settlements purposes. The suspension should follow a 'name and shame' route on the SEC website. The ultimate sanction of removing the party from the SEC could then be undertaken after a set number of days following the initial sanctions.

Question 57: Do you agree with the proposed rules and procedures governing withdrawal and expulsion from the SEC described in this chapter?

Yes, these would appear to be sensible. However, it should also take into account instances where

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a supplier is expelled, but the meters remain active as they have been subject to a SoLR.

Question 61: Please detail those events which you believe would warrant the force majeure provisions being exercised and indicate who should declare a force majeure event.

It's extremely important that there are robust contingency plans in place to ensure that a force majeure event is an unlikely occurrence. It's therefore not what constitutes a force majeure but how soon we can be back online with the service.

Question 62: Please provide your thoughts on the proposal that the SEC should define a set of contingency business process arrangements and associated service levels/obligations which will apply in the event of a major service failure.

This should be put in place to ensure that we have a full contingency and that any issue can be overcome in less than 24 hours to recommence a core level of service.

It's imperative that full contingencies are in place, as an issue of this type has the ability to irreparably damage the trust that the customers have in the service provided.

Ovo Energy does not have any objection to DECC publishing this response letter via their website.

Yours Faithfully,

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