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

8<sup>th</sup> November 2011

**Smart Metering Implementation Programme: consultation on draft licence conditions  
for a Code of Practice for the installation of gas and electricity meters (August 2011)**

Dear Sir/Madam

Ovo energy welcomes the opportunity to reply to the above consultation.

**1. Are the overall objectives set out in the draft licence conditions appropriate?**

The objectives make no reference to the process prior to arriving at site to undertake the install, which Ovo believe is crucial to the success of the process. We would therefore suggest that there is a further objective to;

‘communicate clearly and provide sufficient notice of the meter installation and the time-band that the engineer will arrive to complete the installation’.

**2. Would the licence conditions as drafted effectively underpin:**

**a) the respective roles of Ofgem and suppliers in establishing and reviewing Code(s) of practice for domestic and micro-business sites?**

There seems to be a contradiction between clause CC3(a) and 2.2(6.), as the proposed licence condition suggests that the Code needs to be agreed as a single document in conjunction with all licensed domestic electricity and gas suppliers, whilst the consultation suggests that Codes can be individually compiled, as it states that suppliers who do not submit one will be dealt with by Ofgem. Clarity is therefore required on this issue.

**b) an appropriate ongoing governance regime for the Code(s) of Practice?**

The Governance should further allow, where appropriate, for the Authority to consult with



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the Licensees prior to agreeing any material changes. However, there should be an agreed timescale for responding to any licensee consultation to ensure that required changes are not unduly delayed.

Code clause CC16 also states that the Authority has 30 days to respond to a submission to revise the Domestic Installation Code. However, the consultation document specifies that it's 30 working days, so this also requires clarification within the Code.

We also concur that although the Domestic Installation Code will be required initially to commence and maintain the process of installing Smart meters, it should ultimately become redundant, or refined for Smart to Smart meter exchanges.

**c) the intended arrangements for monitoring and compliance with Code(s)?**

We understand the need to minimise unnecessary burdens of monitoring and auditing compliance within the code. However, it's important that the Authority and customers have information available to them to choose the correct Smart supplier and installer of their meter. Furthermore, a code without any agreed performance indicators is not going to deliver the experience that customers deserve.

We therefore believe that it is important that an approved and proportionate set of indicators are monitored and reported to Ofgem on an agreed basis.

**3. Should the licence conditions underpinning a domestic Code also be applied to Smart-type meters, or should the Government work with suppliers to secure voluntary application of Code provisions?**

Ovo Energy are happy to extend any code provisions that we have endorsed to Smart-type meters.

**4. Would the licence conditions as drafted effectively underpin the policy intention that the costs of the installation of Smart meters should be reflected over time in customer's energy bills, with no upfront or one-off charges?**

Ovo would like to re-iterate our stance regarding the obligation to provide an IHD to customers. It is a fact that people rarely value something that is given away and in this case there is a significant risk that millions of IHD's would be unused and wasted. We would refer to the recent case of the energy efficient light bulb giveaway as a warning as to how the provision of IHDs could be a failure.



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Our stance has always been that mandatory provision of IHD's would significantly increase the cost of the smart meter roll-out and would not be valued by all customers. In addition, meter sets that meet Ofgem's proposed specifications would be easily financed through asset back schemes. IHD's are not treated as a fixed asset and would most likely be paid for by the supplier on a separate basis, representing a significant cash flow hurdle, further increasing the complexity of the roll out. We have always proposed that customers who want to receive an IHD should pay for this on a voluntary basis, as well as for subsequent replacements based on loss or damage to this hardware.

We are concerned that the IHD cost will be especially onerous to smaller suppliers, as we don't have the buying power of the larger companies. We therefore question whether a Smart offering should include an IHD unit provided at no up-front cost to the customer. Ovo are of the opinion that customers should be provided with the option to purchase the IHD, or choose to solely obtain the consumption information via the supplier's online portal.

We're yet to be convinced that customers will use these units for a prolonged period to help to reduce or change consumption patterns. Ovo believe that competition to produce IHDs and to drive down unit prices will be better served by allowing customers to purchase an IHD of their own choice, should they choose to own one. This reduces the upfront cost to the supplier arranging the Smart installation and allows a customer to make a choice outside of the IHD chosen on their behalf by their supplier, whilst the cost saving is

It would seem a waste of resource to provide a standard IHD to these customers, only for them to purchase another unit or a relatively cheap 'app' to provide data in a format that they're more comfortable using. This customer led approach to sourcing an IHD also resolves the issue of different companies providing the gas and electricity supply and the potential of receiving an IHD from both.

Clarity is also required as to whether suppliers will be able to charge for additional peripheral work required to undertake an install e.g. replacement of lead piping in gas installs, installation of isolator switches at a customer's request etc. These charges could add significantly to the cost of the roll-out and we need the ability to partially or completely pass the cost of certain work on to the customer.

##### **5. Do you agree with our definitions of sales and marketing?**

As signatories to the Which? 'Smart Challenge' we are unable to endorse any sales or marketing activity during the installation process. Our stance is clear; the installation process should concentrate on successfully placing the meters in-situ and providing relevant details relating to



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the meter and it's functionality to the customer. Allowing any sales or marketing activity risks detracting from the install and the benefits of the Smart meter, as installers incentivised by sales may concentrate on this area, rather than providing the requisite data to the customer.

Energy companies are experiencing low levels of customer trust at present and any sales and marketing activity carried out during a mandated roll out process will be fiercely resisted by consumers and consumer groups. This would tarnish the whole image and success of the scheme.

**6. Do you agree that prior written consent should be required for any face-to-face marketing or sales activity during the installation visit?**

Please see our response to question 5.

**7. Are any other measures required to protect consumers' interests in relation to sales and marketing during the installation visit**

Please see our response to question 5.

**8. Would the licence conditions as drafted and/or existing rules deliver the policy intentions on customer information and advice, vulnerable consumers, avoiding undue inconvenience and complaint-handling?**

Condition 9(b) needs to be tightened, as the current draft allows leeway for customers to refuse access for suppliers to install Smart meters and this eventuality is not covered within the code. If the supplier has agreed a convenient date and time band with the customer, we shouldn't be left in a situation where the customer can refuse access due to 'inconvenience' on the day of install.

The code needs to ensure that as well as protecting the consumer's interests, it also provides the supplier with the ability to access the property and install the meters. Unsuccessful attempts to access properties result in suppliers facing abortive visit charges, which has the potential to significantly increase the cost of delivering the project. This is especially problematic for smaller suppliers, as they don't always have the density of installs to counter-act this issue by moving on to another install in the immediate vicinity.

We must take our obligations to vulnerable customers seriously and Ovo believe that the current condition 26 of the Supply Licence is a good basis for providing a service to vulnerable



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customers. However, the code should include a clause to require that suppliers make all customers aware of the PSR and that customers can request additional information relevant to their special needs.

Complaint handling should be dealt with in the existing way, but (as mentioned in response 2(b)) this should be one of the areas monitoring as part of code compliance.

With regards to undue inconvenience, there is a fundamental issue that is not covered within the Code of Practice and that is the exchange of Smart for Smart. Once the meter specification is agreed, there should be a clear undertaking to the customer within the Code of Practice that Smart Metering will not be replaced if they change supplier. This should be implemented prior to the DCC being in place.

9. **Do you agree that, for the purposes of the non-domestic code, the sites to be covered should be defined as a business with no more than 10 employees or their full-time equivalent, an annual turnover that does not exceed €2 million, or consumes less than 50MWh of electricity a year or less than 200MWh of gas a year?**

For continuity, it seems sensible to use the same definition as that of 'Micro Business Customer' found in the Standard Conditions of Electricity/Gas Supply Licence.

10. **Would the licence conditions as drafted effectively underpin the policy intentions with respect to non-domestic consumers on customer information and advice and undue inconvenience?**

Ovo believe that non-domestic customers should expect the same level of service as domestic customers. We would therefore strongly propose that the text from clause 5 in Condition CC is changed to reflect a non-domestic use and is then added prior to clause 5 in Condition DD.

As with Domestic customers, complaint handling should be dealt with in the existing way, but (as mentioned in response 2(b)) this should be one of the areas monitoring as part of code compliance.

Ovo are concerned that the SMICoP document drafted by the ERA makes reference to 'funding for the code', but estimated costs have not yet been published. We would question why the code is not governed under the Authority, to ensure that additional costs to suppliers are kept to a minimum? Ultimately, any additional costs will be incurred by the consumer, so keeping these to a minimum and using existing resource would appear to be a sensible approach.



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The ERA SMICoP document also refers to a 'Code Auditor', 'Code Manager' and an SSIG (SMICoP Interim Steering Group) which would be chaired by an ERA member of staff. If appointments and positions are made and composed entirely, or predominantly, of ERA members, then this raises a question regarding the perceived and actual independence of the Code. Our concerns would appear to be underlined by the fact that the initial SSIG will be chaired by an ERA member of staff.

Furthermore, membership of the SSIG is guaranteed to those who sign-up early on a voluntary basis, which appears to be a tactic to pressurise suppliers to accept the code, as this is the only way to guarantee membership of the steering group.

Ovo Energy are happy for the comments within this letter to be made known to any individuals or groups assessing the DECC consultation.

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[REDACTED]  
[REDACTED]