

Smart Metering Implementation Programme – Roll-Out Team
Department of Energy & Climate Change
Room 101
55 Whitehall
London
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27 July 2012

Smart Meters Programme: Strategy and consultation on information requirements for monitoring and evaluation

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

EDF Energy welcomes the opportunity to respond to the Government's consultation on the requirements for monitoring and evaluating the roll-out of smart meters.

We recognise that suppliers will need to provide information to DECC and Ofgem in order to confirm that they are on target and are taking all reasonable steps to complete the roll-out by the end of 2019. However, we consider that the proposed monitoring and evaluation framework goes far beyond what is needed to provide this assurance and would significantly increase the costs and risks for the smart meter roll-out and, ultimately, for consumers.

To the extent that DECC or Ofgem require further information in order to inform the national consumer engagement strategy, or planning for the DCC, any further information requests should be designed on a targeted basis, with clear evidence that any compliance costs incurred by suppliers will be justified based on expected benefits.

As a general principal, we do not accept that suppliers should be subject to additional reporting obligations. Suppliers operate in a competitive environment and we would view new reporting obligations as excessive and disproportionate. In particular, such an obligation would not be consistent with the principals of Government's stated policy for reducing regulatory costs, as set out in "Reducing Regulation Made Simple", BIS, December 2010.

The consultation sets out the following four objectives for the monitoring and evaluation framework:

Objective 1: Inform the ongoing development of the approach to consumer engagement;

Objective 2: Monitor the capability and readiness of industry participants for the start of mass roll-out;

Objective 3: Track progress towards completion; and

Objective 4: Manage the full range of costs and benefits attributable to smart metering.

EDF Energy accepts the rationale for the third objective, subject to the reporting requirements being proportionate and clearly justified on the basis of expected costs and benefits from compliance with these objectives. In particular, DECC stated in its response to the Prospectus Consultation that *"At this stage, the Government is not proposing to introduce interim targets ... Such targets would impose more constraints on how suppliers plan their roll-out"*

programmes, which could reduce the efficiency of the roll-out and increase costs to consumers".¹ Therefore, we do not consider that any interim milestones should be enforceable through licence obligations.

However, EDF Energy does not accept the first, second and fourth objectives set out above, as no argument or evidence has been presented to support the inclusion of these objectives. Specifically:

- Regarding Objective 1, we note that the consultation (paragraphs 2.9 to 2.11) indicates that DECC will undertake qualitative and quantitative research and analysis to better understand consumer awareness and attitudes to smart metering. It is not clear why the proposed framework is also required to inform consumer engagement, which will significantly increase costs.
- Regarding Objective 2, there is no evidence that suggests that suppliers will be less prepared for the start of mass roll-out if they do not provide the information set out in this proposal.
- Regarding Objective 4, EDF Energy is not aware that a role for DECC or Ofgem to manage or regulate the costs and benefits of the roll-out has been communicated or agreed with industry, and appears to contradict the supplier-led model for the roll-out selected by DECC.

In addition, EDF Energy does not accept the proposed monitoring and evaluation framework, as we consider it would increase the risk of:

- **a sub-optimal roll-out due to reduced supplier flexibility.** The proposed monitoring and evaluation framework is likely to lead to a sub-optimal roll-out as suppliers will lose flexibility to revise roll-out plans on a dynamic basis in response to customer, market and business requirements. Although suppliers will be permitted to revise their roll-out forecasts, they will be required to justify any changes and there remains a risk they will not be accepted. Hence it is inevitable that there will be considerable pressure on suppliers to adhere to initial forecasts, even where these plans no longer reflect the best approach to meeting evolving customer requirements.

We consider that the proposed framework is inconsistent with the statement that "The main roll-out obligation will require suppliers to take all reasonable steps to install smart meters in domestic and smaller non-domestic premises by the end of 2019 (subject to a limited number of exceptions). *"This gives suppliers the discretion to plan their own individual roll-out in a way that is most efficient for them, subject to meeting the end date."*²

- **a disproportionate cost burden on suppliers in order to comply with the proposed obligations.** The proposed framework will place a disproportionate cost burden on suppliers in order to comply with the proposed obligations and the inevitable further resulting enquiries, which is not justified based on evidence of expected benefits. EDF Energy considers that the objectives of the consultation can be satisfied using data that is reported on an annual basis and at a higher level of aggregation than is currently proposed. We believe that the proposed level of reporting would not satisfy the Government's

¹ Paragraph 2.17, Government response to Prospectus, March 2011

² Para 9.1

'Reducing Regulation Made Simple' policy which stipulates that the burden of reporting should be kept to a minimum.

- **the release of commercially sensitive information regarding suppliers' roll-out plans.** This risk, or the perception of this risk, would blunt commercial incentives for efficiency and innovation, and hence reduce competition between suppliers.
- **suppliers being measured against incomparable levels of costs and benefits.** The proposal to 'manage' supplier's costs and benefits against the levels of expected costs and benefits in the Impact Assessment (IA) is likely to result in frequent and time-consuming enquiries to suppliers to justify differences. The IA is based on DECC's views of average supplier costs and benefits, and is hence not likely to be consistent with individual suppliers' business plans.

We also note that the consultation refers to the need to monitor supplier costs and efficiency savings so that action can be taken, if necessary. However, no explanation is provided of what form any action will take or how it will be justified. DECC should provide clarity as to what is intended here, so that suppliers can better understand the regulatory risks they face from the roll-out programme.

- **inappropriate comparisons between suppliers' costs, benefits and adherence to interim milestones.** For example due to differences between suppliers' roll-out approaches and accounting practises. It is clear from the price regulation of network companies that the resources required to compare costs and benefits between different companies are significant and require dedicated teams both within the regulator and in the companies themselves. We note that the proposals acknowledge that *"The March 2011 Prospectus Response set out that larger suppliers would need to provide plans capable of fulfilling their obligation to complete the roll-out to Ofgem; to report each year on progress against those plans; and to update the plans each year."*³ We do not consider that there is any rationale to move away from this approach.

Based on the above, EDF Energy considers that the monitoring and evaluation framework should encompass an annual report, which provides the actual and annual forecast numbers of customers with a smart meter at the GSP Group Level. This information could be further disaggregated by region or meter type, where the level of granularity is reasonable, and where there are clear expected benefits from the disclosure of this information.

³ Paragraph 9.2

Attachment

Smart Meters Programme: Strategy and consultation on information requirements for monitoring and evaluation

EDF Energy's response to your questions

Section 8 – Regulatory proposals

Q1. 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 or clarification to deliver this policy, and if so, how should they be amended?

We recognise that suppliers will need to provide information to DECC and Ofgem in order to confirm that they are on target and are taking all reasonable steps to complete the roll-out by the end of 2019. However, we consider that the proposed monitoring and evaluation framework goes far beyond what is needed to provide this assurance and would significantly increase the costs and risks for the smart meter roll-out and, ultimately, for consumers.

EDF Energy does not accept the proposed monitoring and evaluation framework, as we consider it would increase the risk of:

- a sub-optimal roll-out due to reduced supplier flexibility;
- a disproportionate cost burden on suppliers in order to comply with the proposed obligations,
- the release of commercially sensitive information regarding suppliers' roll-out plans;
- suppliers being measured against incomparable levels of costs and benefits;
- inappropriate comparisons between suppliers' costs, benefits and adherence to interim milestones.

EDF Energy considers that the monitoring and evaluation framework should encompass an annual report, which provides the actual and forecasted numbers of customers with a smart meter at the GSP Group Level. This information could be further disaggregated by region or meter type, where the level of granularity is reasonable, and where there are clear expected benefits from the disclosure of this information.

Q2. 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?

See response to Question 1

To facilitate this level of reporting, EDF Energy has identified a number of considerations and consequential changes to codes required to support the reporting requirements contained within this consultation, regardless of whether or not these are codified as licence conditions. Many of these changes are currently being progressed through the SMRG Consequential

Changes working group. It should be noted that failure of these changes being delivered will lead to individual suppliers capturing data inconsistently and will therefore reduce the quality of the data available to DECC. The changes are:

- It is essential that the consequential change proposed to the data item 'meter type' are approved so that industry meter technical details can distinguish compliant smart meters from AMR, smart type meters, and dumb meters. Without this level of reporting, the data required for the quarterly report will be inconsistent and potentially incomplete.
- The collection of the data item 'SMETS version' is also a change being proposed as a consequential amendment to the meter technical details. It should be noted that this data item will only be correct at the time of reporting as it is envisaged that some SMETS versions could be upgradable remotely, and, hence DECC's database would only be correct at the time of installation. Suppliers require this data item as part of the meter technical details due to the ability to report the SMETS meters that churn in to the supplier required for the annual report.
- There is also a requirement covered by a current consequential change that will notify networks of the need to perform work on a smart meter installation, classified by the priority of the work required. This information would then be reportable consistently through industry data flows.

Q3. What are your views on this proposed approach to the scope, frequency and timing of the content of Information Requests?

See response to Question 1

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

Q4. 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?

See response to Question 1

Q5. Do you have any comments on the appropriate format of, and interval between, the interim milestones?

EDF Energy opposes the imposition of any interim milestones. If such milestones were to be introduced despite our concerns, these must be accompanied by a wide margin of error that will allow suppliers to revise their roll-out plans at any time to meet evolving customer or market requirements.

Q6. Do you have any comments on which elements of the above approach would be appropriate for smaller suppliers?

See response to Question 1.

EDF Energy considers that all suppliers should be treated equally with respect to the smart meter roll-out. We note that smaller suppliers have not been exempted from the smart meter roll-out, nor have smaller suppliers been granted a partial exemption from the roll-out

obligation for ADMs. Ofgem has indicated that there is no evidence that smaller suppliers are experiencing particular problems with rolling out smart meters.

Q7. Do the licence conditions as drafted effectively implement the proposed framework described in this section?

As stated in the responses to previous questions, EDF Energy does not agree with the proposal to introduce new licence conditions as proposed in this section.

Notwithstanding our concerns above, in the event that Government chooses to draft the proposed requirements as Licence Conditions, we would draw attention to the fact that the two licence conditions combined require the production of a "roll-out report" and "monitoring report" for DECC plus a "roll-out plan" and "progress report" for Ofgem. However, it is not entirely clear whether these are separate reports. We believe that these reports should be consistent, in both content and format, to the greatest degree possible, in order to reduce the administrative burden placed on suppliers.

Furthermore, we note that as proposed the licence conditions provide little constraint on the scope and scale of the information that can be requested. Whilst we accept some flexibility may be required as the roll-out programme develops, some form of constraint is required in order to lessen the regulatory risks faced on suppliers. As a minimum, we believe that the principles underpinning the approach to data collection as set out in page 35 of the consultation should be placed within the wording of the licence condition.

EDF Energy has the following detailed comments regarding the draft licence condition for the Preparation and Provision of Roll-out Plans, and Provision of Information to the Authority.

The comments provided on the licence condition relate to condition [YY]:

- We have a generic comment on the issuing of directions – these should be licensee specific so that directions are issued to individual licensees and Ofgem is not restrained as to whom directions are issued to. This would then avoid the need for paragraphs 8 and 9.
- Paragraph 3(c) – The phrase "such other information" is overly wide – any information requests under this condition should be limited to "as required to examine compliance with any Relevant Condition"
- Paragraph 4 – See objections as stated in the responses to questions 4 and 5.
- Paragraph 7 – No clarification is provided as to what Ofgem would deem appropriate; Ofgem's recently published letter on this issue provides no real additional clarification. Further transparency and clarity is required and should be provided through Ofgem published policy or guidelines.
- Paragraph 12 – Clearly any information request needs to specify the type and nature of information – so the wording should be amended to say "shall" rather than "may."
- Paragraph 14 – "Annual Milestone" – incorrect reference – should read paragraph 10(b) not 9(b).

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Section 10 – Data collection and handling

Q8. 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 and costs incurred?**

See response to Question 1

In addition, we have a number of specific concerns;

- We do not believe it is necessary to provide installation data at the level of the unique identifier (MPAN / MPRN). This level of detail goes beyond what is necessary for DECC to be kept informed about the progress of the roll-out. We believe that the provision of information at GSP Group level would be sufficient to address the objectives stated.
- EDF Energy considers that metering data linked to a full post code is personal data. We believe that full post code level data could then subsequently be matched to a consumer's name and address. It is essential that any data provided to the programme does not leave suppliers at risk of failing their duties under any other legislation such as the Data Protection Act.

We believe that the tracking of individual consumers' energy use would require explicit consumer consent. This could prove problematic and expensive due to the difficulties of ensuring that requested samples are representative of the general population. We are concerned that the cost of recruiting consenting customers would be borne by suppliers. Experience of the Elexon Profile Administration suggests that this process is lengthy, expensive and non productive. As such we do not agree that sampling is the most appropriate way to provide such information.

Q9. What are your views on this approach to the publication of aggregated and supplier-specific information?

See response to Question 1.

The publication of supplier specific information would significantly increase the risk that commercially sensitive information regarding suppliers' roll-out plans will be released. This risk, or the perception of this risk, would blunt commercial incentives for efficiency and innovation, and hence reduce competition between suppliers.

The proposal to 'manage' suppliers' costs and benefits against the levels of expected costs and benefits in the Impact Assessment (IA) is likely to result in frequent and time-consuming enquiries to suppliers to justify differences. The IA is based on DECC's views of average supplier costs and benefits, and is hence not likely to be consistent with individual suppliers' business plans.

We are also concerned that comparisons of suppliers' costs, benefits and adherence to interim milestones will lead to inaccurate conclusions, for example due to differences between suppliers' roll-out approaches and accounting practices. It is clear from the price regulation of network companies that the resources required to compare costs and benefits between different companies are significant and require dedicated teams both within the regulator and in the companies themselves.

Q10. 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?

See response to Question 1

The proposed framework will place a disproportionate cost burden on suppliers in order to comply with the proposed obligations and the inevitable further resulting enquiries, which is not justified based on evidence of expected benefits. EDF Energy considers that the objectives of the consultation can be satisfied using data that is reported on an annual basis and at a higher level of aggregation than is currently proposed. We believe that the proposed level of reporting would not satisfy the Government's 'Reducing Regulation Made Simple' policy which stipulates that the burden of reporting should be kept to a minimum.

We also believe that the DCC could provide a large amount of the quarterly monitoring information required. This data would be provided unambiguously as it is the best source of installation data, as it would record specific industry data items for all suppliers. More importantly, the current proposal would require the development of detailed reports by every supplier rather than just one report from the DCC. We understand that the DCC development team are not currently considering this level of reporting, but we would like DECC to assess the relative merits of the production of 21 supplier reports against the production of one DCC extract. Furthermore, the data requirements will be necessary for DCC transactional billing at unique identifier level and will in any case, therefore be reported within the DCC. We also recognise that any DCC report would not provide the full requirements as some data such as the Priority Service Register is not held on the meter or within industry systems. Suppliers would be required to provide additional information against their own installation, though this would be far less of a burden than the production of a full report.

Finally, even though the cost of designing, developing and delivering system reports is expensive and onerous, we are currently producing the high level design of our internal smart systems to support the roll-out and management of customers and smart meters. It is absolutely essential, that where reporting requirements are mandated despite our opposition, that there is a high level of certainty that all of the data items requested will be used and that the reports do not go through numerous iterations and changes each quarter. The change process for major organisations is long, difficult and costly so that seemingly minor changes in data collection could lead to very expensive internal changes.

Section 11 – Annual Supplier Report

Q11. What are your views on the information that large domestic suppliers should provide to Government on an annual basis?

See response to Question 1

Section 12 – Regular monitoring data

Q12. What are your views on the information that suppliers should provide to the Government on a regular reporting cycle?

See response to Question 1

EDF Energy
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