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

1 June 2012

Dear Sirs,

Smart Metering Implementation Programme: Smart energy code
Ref: URN 12D/034

Northern Powergrid is the electricity distribution business for the north east, Yorkshire and parts of northern Lincolnshire, operating through its two licensed subsidiaries. We welcome the opportunity to respond to this consultation.

We have no comments on the majority of the proposals for the smart energy code, but we have two particular concerns, which are summarised below and described in more detail in answer to the specific questions:

- First, we are concerned with the proposals for providing access to smart meter system data for meter asset providers (MAPs). We are pleased that DECC recognises the importance for MAPs to be able to track their assets. For this reason, we continue to favour direct access to the DCC for MAPs, particularly since their requirement for access to data, for example relating to installation dates, may not be available to the current supplier. Failing this, we believe that similar procedures should apply to MAPs as to MOPs, otherwise there will be an uneven playing field between MAPs that are part of a meter asset manager (MAM) and those that are not. There is a risk that this arrangement (where only MAPs with an associated MAM can access the data) may act as a barrier to entry into the market and could infringe competition law.
- Second, the proposals on the allocation of fixed costs in pricing may not reflect the incremental cost of providing a particular service and so deter the uptake of that service, to the detriment of customers. We have suggested an amendment to the pricing objectives to deal with this.

Yours faithfully

Head of Sustainability

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Smart Metering Implementation Programme: Smart energy code

Response by Northern Powergrid

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

We have no comment to make.

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.*

Yes. We are pleased that DECC has recognised the overarching requirement for meter asset providers (MAPs) to be able to track their assets. As the consultation makes clear, this has been a long-running concern, but one that is now more acute because of the cost of a smart meter and the speed of meter replacement implied by the roll-out. Since the success of the roll out depends, amongst other things, on the ability to finance the investment in smart meter assets, including avoiding unnecessary risk premium costs, it is essential this problem is solved.

In addition to the data requirement referred to in paragraph 61, MAPs also need to have access to the date of first installation of the meter. This information would be available to the installing supplier and the DCC, but not to the current supplier. MAPs may not be able to access this data if they were only able to access data through the current supplier. It is also worth pointing out that MAPs would only need to be able to read data from the smart meter system, not to send data to it.

We welcome the recognition that the existing arrangements are far from adequate and note that MAPs have formally challenged Ofgem's view of the adequacy of existing arrangements in evidenced response to Ofgem's Review of Metering Arrangements (ROMA). We would welcome the opportunity to work with DECC to develop the core data set required by MAPs to support meter asset provision.

It should also be noted that, while the supplier and its appointed MOP can change in respect of a customer's premises, this is far less likely for MAPs, who are by nature likely to change less frequently than suppliers or their MOPs in relation to particular premises. Indeed, since the intention is that smart meters should remain on the wall wherever possible, the MAP/customer relationship may be permanent for the life of a particular metering system or premises. Furthermore, if the DCC is to run the core industry system managing the change of suppliers, it is only reasonable that the DCC should be required to readily share information directly with MAPs including in relation to which the supplier is registered to a particular meter/metering system at any given time. We therefore believe that for data completeness and continuity the DCC should maintain records of the MAP(s) in relation to metering systems at particular premises. We would also note that a system in which MAPs risk losing the location of their assets is not going to encourage a dynamic meter asset rental market.

We note that the Government is proposing the planned transfer of registration responsibilities to the DCC as the appropriate time to consider better arrangements for tracking meter assets, and that it looks to the wider industry arrangements and the active co-operation of all parties to seek cost-effective solutions in the meantime. This will clearly provide an incentive to find an interim solution since, in the absence of such a solution, finance for assets may be more difficult to acquire.

In the enduring arrangements, we see no reason why the same principles that are proposed to apply to MOPs i.e. deemed nomination by the supplier of that meter operator to undertake certain communications with the DCC on its behalf, should not apply also to MAPs. Indeed, if this is not the case, it would create an unfair distinction between MAPs that were part of a meter asset manager and those that were not.

Ideally, a MAP should have direct access to DCC services where a supplier is using meters that belonging to that MAP, in particular for the reasons given above that data, for example on installation date, may not be available to the current supplier. We would therefore favour options B or C. However, if DECC should decide that suppliers arrange for MAPs to gain access to DCC services, suppliers must be required to:

- Be obliged to arrange immediate access to DCC service for any MAP whose metering it starts to use, either as a result of a newly installed smart meter or on change of supplier; and
- Be prevented from de-appointing a MAP in relation to particular meters/meter systems if the supplier is still using the metering

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 operator to act as its agent to perform a specific set of commands?*
Yes in principle, but we fail to see why the same arrangement could not apply to meter asset providers (see answer to question 2 above).

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?*
Yes, but such rights should also extend to Meter Asset Providers.

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?*
Yes

Questions 6 to 14

We have no comments to make.

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

Questions 16 to 23

We have no comment to make.

24. *Do you think that the proposed approach for DCC charging is reasonable?*

Much of the proposed approach to DCC charging is reasonable. In particular, it is appropriate that the variable charges for the use of mandatory DCC services should reflect the marginal cost of providing them (to the extent reasonably possible). This will help discourage inefficient use of DCC services (where the benefits do not justify the costs) while helping to encourage efficient uses (where the benefits do justify the costs).

However, the approach suggested for the allocation of fixed costs to core services may not yet achieve any similar objective. The suggested approach would involve allocating fixed costs for core services according to the volume of data services that are being made available to each SEC party category. This is presumably to encourage parties only to request that data is made available as a core service if it is actually required and cost-justified. However, depending on the cost drivers of fixed costs this may or may not achieve this goal. For instance, if only part of the DCC's fixed costs varies with the level of data provision being made available, then the fixed charges under this approach would not reflect the incremental cost of making additional services available under the core cost category. This could lead to certain core services being inefficiently discouraged, since requesting them would lead to additional fixed charges that differ from their incremental cost. Likewise, the approach for pricing elective services could include a contribution to existing fixed costs, which could discourage efficient uptake of elective services since charges could be in excess of the incremental cost.

The extent to which this is an issue in practical terms will depend on the actual drivers of incremental fixed costs for the DCC. The issue would therefore be best dealt with by amending the licence pricing objectives to include a third objective, to be balanced against the other two – specifically to 'facilitate the efficient uptake and use of Communications Services'. The exact pricing methodology in relation to fixed charges should be revisited as more is understood about the cost drivers facing the DCC during set up.

25. *Questions 25 and 26*

We have no comment to make.

Questions 27 to 63

We have no comment to make.