

**Smart Metering Implementation Programme
Haven Power Response to DECC Consultation URN 12D/034
A consultation on the Smart Energy Code.**

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

Please see responses to questions 3 and 4.

**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.

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?

We believe further consideration should be given to option C in which meter operators and meter asset providers can accede to the SEC. Our reasoning is set out in the response to question 4.

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?

For the following reasons meter operators and meter asset providers should be permitted to participate as SEC parties in their own right rather than as nominated agents of the supplier;

- a) The dominant costs of the smart metering programme are the costs of the metering equipment itself followed by the costs to install the equipment. Obtaining financing for these items, and the size of the risk premium applied to the repayments are critically dependent on demonstrating that the metering and other assets can be properly tracked. Due to both the scale of the financial commitment involved and the importance of asset tracking, meter operators and meter asset providers should participate directly in the SEC.
- b) Increasingly business customers are choosing to arrange their metering solutions independently of their energy suppliers. The meter operator and meter asset provider cannot rely upon the cooperation of the supplier in such cases, so direct participation is necessary. The consultation paper discusses the supplier hub principle without recognising that in the business market this is becoming a redundant concept in which applies only in the BSC compliance arrangements.
- c) It is vital to encourage a thriving independent metering sector. It is clear that recent moves by major suppliers to internalise metering services has damaged the independent sector. As well as reducing competition in the metering sector this also compromises the energy supply sector because new entrant and smaller suppliers find it increasingly difficult to contract with suitable, independent metering companies operating at scale. The selection of the SEC party categories may inadvertently favour supplier's internal metering companies because they will have an influencing power over SEC decisions due to the suppliers being SEC parties. Option C would provide some safeguards against this by putting the independent metering companies on an equal footing in being able to participate in the SEC.

Yes. In connection with the requirement for the supplier to notify the DCC of a new installation in advance the design of the associated business process will need to recognise the circumstances where the installation work does not complete on the planned date. As this is a frequent occurrence (we estimate it currently affects up to 20% of AMR installations), the process must allow the supplier to correct and update the previously submitted information, otherwise the standing data held by DCC will be incorrect.

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?

Yes.

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

Yes. The business process design must allow the incoming supplier to submit the request to withdraw the metering system in advance of supply-start date, with the effective date of the withdrawal being the supply-start date. This is necessary to enable a supplier who has opted out of the DCC in order to provide specific services to his customer to deliver those services from the start of the supply contract.

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

Clear information on future DCC charges is vital for suppliers offering fixed price contracts. Generally our customers contract for timescales between 1 and 3 years so it is important to us in pricing contracts to understand the likely movement in regulated costs.

We support the proposed approach. The proposal for DCC to forecast costs up to 12 months ahead is essential, and we would welcome a longer term forecast, say out to 24 months ahead, even if this provides only the likely range of cost changes. We would like to see the approach modified so that firm costs are published 6 months ahead of implementation, rather than 3 months as proposed. This is to allow time for the firm costs to be incorporated into future fixed-price supply contracts. In our experience with other regulated costs there are often material differences between forecast and firm costs.

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 understand the rationale and support the principle of keeping the DCC costs as low as possible and this proposal will help to control the working capital requirements. There must be safeguards in the event that the DCC issues an erroneously high invoice. We suggest this is covered in the code as a "manifest error" exemption.

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.

Yes, providing it is clear that the socialised bad debt is restricted to the unsecured debt balance following a party default. Debt arising from poor cash disciplines within the administration of the DCC should be borne by the DCC itself.

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

Yes, the chair must be independent. We would suggest the Authority appoints the chair from the start, rather than the initial appointment being made by the government as proposed. A 3 year term seems reasonable. We would also recommend that tenure is limited to 3 terms.

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

Yes, one vote for each party category per corporate group seems reasonable. The proposed 2 year membership term is too short and we would suggest up to 5 years would provide better stability and obtain stronger contributions from members. As for the chair, we would suggest panel members can sit for a maximum of 3 terms.

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

Yes.

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 2 more closely aligns with the objective of an independent panel.

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

We think the least cumbersome and complex arrangement would be for the Code Administrator and Secretariat to be contracted through the DCC. If practical the 2 roles should be fulfilled by a single entity.

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

We don't believe a SECCo is necessary or efficient.

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

We support the proposed categories.

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 in principle. We are not clear from the consultation what the reporting requirements on SEC Parties would be.

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

At this stage it is not clear to us what the serious risks or compliance issues there are, if any, in relation to the operation of the SEC Parties. We would suggest it is not appropriate to include burdensome compliance and assurance procedures into the code until the risks are