



SCOTTISHPOWER

Director of Regulation

Geoff Hatherick,
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Dear Geoff,

Smart Meter Programme

Non domestic Market: Proposed Amendments to Roll-out Licence Conditions

Thank you for this opportunity to respond to the above consultation. Our views on the specific issues raised are set out in the annex to this letter.

On balance we consider that it would be better not to extend the period of advanced meter installation. We consider that DECC's present deadline of 5 April 2014 accommodates market arrangements and commitments for advanced meters, and strikes the optimal balance between the net benefits of advanced meters in the short term and smart meters in the longer term. The marginal carbon and energy savings associated with advanced meters installed post April 2014 are likely to be less than these same customers could realise with smart meters after 2015. In addition, as noted in the consultation, there are likely to be interoperability issues associated with an increasing population of advanced meters. We think that encouraging the continued installation of advanced meters would risk storing up problems for the future and that the benefits do not justify this.

I hope you find these comments helpful. Should you wish to discuss them please do not hesitate to contact me or

Yours sincerely,

Director of Regulation

**NON-DOMESTIC MARKET: PROPOSED AMENDMENTS TO ROLL-OUT LICENCE
CONDITIONS - SCOTTISHPOWER RESPONSE**

Extending the installation period for Advanced Meters

From the outset of the implementation programme, it has been necessary to strike a balance between early benefit realisation and long term success. Although it is evident that consumers could gain some benefit from the installation of advanced meters, questions as to the robustness of their security, and their ability to meet the retention and privacy requirements of the smart programme, suggest any proliferation of such meters might ultimately undermine the overall success of the rollout, and the consumer experience.

The relaxation offered until 5 April 2014 (and thereafter where there was a pre-existing contractual arrangement) was designed to accommodate an existing environment of commercial contracts and service provision. We believe this relaxation continues to offer a reasonably proportionate and flexible response to this need, affording ample notice to operators affected by the changing requirements.

We share DECC's concerns about disrupting an established market that may already be providing early energy and carbon savings. However, we also believe that the functional superiority of SMETS equipment (eg data retention, import/export capability etc) will offer consumers even greater scope to manage their energy consumption and we are convinced that few consumers would knowingly opt for a lower standard of equipment and/or reduced service. On balance, while the case for market protection may be a compelling one, we believe that it would serve the wider interests of consumers for them to be able to avail themselves of the benefits of SMETS equipment sooner rather than later.

With regard to stranding costs, having already set expectations with the establishment of the 2014 deadline, it would seem reasonable to assume relevant operators will have tailored their commercial arrangements to that date, thus limiting exposure to stranding costs and rendering extension unnecessary.

Arrangements for electricity and gas meters

DECC sought views as to whether these arrangements should extend to the gas market. In principle, and wherever practicably possible, we believe it is appropriate to align the gas and electricity markets. Such convergence meets with the wider smarter markets initiative, and also simplifies the arrangements from the consumer's perspective. Therefore, while we do not consider the issue to be as material in the gas market, we would prefer that the arrangements extend to both fuels.

The nature of any extension

If it is determined that the deadline for these arrangements should be extended (which we do not believe is necessary), then we would consider an April 2015 deadline to offer the best of the range of options, as it may reasonably be anticipated that SMETS compliant meters will be available, in volume, by that time. We would consider the option of an April 2016 deadline to be too lax. A notice period approach may be too vague and uncertain and may not offer sufficient time, once processes have been ramped back up, to take appropriate measures, so eroding investor confidence.

Qualifying contractual arrangements

With regard to the type of contractual arrangements that might permit continued installation of advanced metering beyond April 2014, while the legal drafting might have been somewhat ambiguous, we were in no doubt as to the Government's intent. Nonetheless, clarity is always desirable and we welcome DECC's proposed amendment to the rollout condition as providing such clarity.

Definition of non domestic electricity premises

'Designated' (ie non-domestic) electricity sites are currently defined as sites falling in Profile Classes 3 and 4. DECC is inviting views on the appropriateness of amending the definition to mean all non-domestic sites in Profile Classes 1-4. This would address the fact that some smaller non-domestic sites are in Profile Classes 1 and 2 (eg where the meter is incorrectly classified following a change of use or a staff home is supplied under a group non-domestic contract).

We note the Government originally deferred to the BSC for its definition of small non domestic premises when drafting its proposals. Therefore, we think it is also worth noting that BSC Parties have traditionally resolved issues with Profile Class designation via an annual reconciliation process. This process endeavours to identify and reclassify premises that may have been wrongly classified during the previous 12 months, and failure to identify such sites via this process can place the relevant supplier in breach of its BSC obligations.

Given the above, while we naturally recognise that mistakes occur, we are not persuaded that erroneous classification, in the wake of a change of use, constitutes a valid rationale for amending the definition in this way. Rather, we believe this will merely invite confusion that could ultimately lead to misinterpretation of the BSC. If an alternative definition is needed, and we are not convinced that it is, then it should not rely on a BSC reference in this way.

For 'domestic' premises that form part of a larger non-domestic site (e.g. a staff home) we are of the view that, where they have shared metering, they should be classified as non domestic. However, where such premises have separate metering arrangements, we would suggest a categorisation of domestic, although we also realise this might interfere with portfolio consumers' contract rights. Whatever conclusions are reached on these issues, it is very important that energy suppliers are given clear definitions to work from.

Provision of Information to customers

With regard to whether a minimum requirement for the provision of information should be added to the definition of a 'Smart Metering System at Designated Premises', we would tend to agree with DECC's stated position; it would, at least on the face of it, appear inconsistent to place such obligations asymmetrically across suppliers when their relevant customers may be drawn from the same consumer group. We therefore agree that non domestic customers with opted-out smart meters should be entitled to a minimum level of information.