

Smart Meters Programme
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Smart Meters Programme – Non-Domestic Market: proposed amendments to roll-out licence conditions - response from National Grid Metering

We welcome the opportunity to respond to Baroness Verma's open letter of 1st July 2013. National Grid Metering (NGM) is a subsidiary of National Grid Gas (NGG), providing metering services to around 14.5 million traditional gas meters. Although not currently participating in the roll-out and installation of fully smart meters, NGM has an enduring interest in developments in the metering market, particularly in the transition to smart technologies.

The efficient transition to smart or advanced metering will, in part, depend on all parties having a clear understanding of the mechanisms to wind-down traditional metering. We believe this equally applies to both the domestic and non-domestic markets. We expect our estate of traditional meters in domestic properties to be prematurely displaced, effectively closing our Domestic business. However, compliance with smart metering requirements will not necessarily require gas suppliers to exchange traditional meters in non-domestic properties, where advanced metering or automated meter reading (AMR) facilities can be retro-fitted. As a result, a lower proportion of non-domestic meters may require exchange to enable compliance with the smart mandate, with consequences for our Industrial and Commercial (I&C) business.

We support the view that the period during which advanced meters can be fitted to non-domestic properties should be extended. We would also suggest that a programme of the scale of the transition to smart metering would benefit more from the use of a specific date for the delivery of related obligations. The lack of a clear start date for domestic mass roll-out continues to create uncertainty in the industry. For this reason, we do not believe that "a date to be designated in due course with an appropriate notice period" provides sufficient clarity against which industry participants can develop smart metering strategies. Of the three options set out in Baroness Verma's letter, we believe that an extension to April 2016 is preferable and set out the reasons supporting our view.

DCC service availability, aggregated sites and multi-site businesses

Non-domestic suppliers and consumers have the choice to opt out of DCC services. Data access and privacy has been a key consumer issue in other smart metering programmes and, despite consultation on this area (DECC reference URN 12D/024), there remains a lack of clarity regarding the approach and structure that DCC will use. This is particularly true for third parties (such as landlords, managing agents or commercial chains) responsible for several separate properties, for meter operators wishing to remotely assess meter safety, fitness for purpose, tampering or theft of gas and for non-domestic consumers using third parties to support their energy management and metering arrangements. It would therefore seem prudent to extend the period during which advanced meters can continue to be installed until April 2016, after the DCC becomes fully operational and data access arrangements are both established and operational.

Advanced metering does not always require a new meter to be installed because the data outputs needed to meet smart requirements can be achieved through the retro-fit of an AMR module or similar device if the meter has an existing pulse output. The numerous market participants in this sector able to provide these solutions, together with the fact that some non-domestic consumers may choose not to opt in to the DCC, provides a wide range of options for both non-domestic consumers and Suppliers to comply with smart requirements.

We can understand how a fully smart meter may be the most suitable solution for smaller, single meter, single occupier non-domestic sites. However, for non-domestic sites with several meters in situ which may be of various sizes, advanced metering or AMR may have already been installed for the larger meters present for energy management purposes. We believe it is likely that consumers may prefer to have a single solution extended to all meters on site, rather than a mix of smart and advanced or AMR technologies. Similarly, commercial organisations operating multi-site businesses which wish to access consumption data but do not require more complex technical specifications may prefer to use advanced metering or AMR.

SMETS specifications and interoperability

The lack of a finalised SMETS2 technical specification and potential exemptions from the smart metering obligations (DECC open letters published 22/12/11 and 19/01/12) may have resulted in a reduction in the number of installations of early smart meters undertaken during the Foundation stage. As with any new technology, the degree to which meters may be affected by early failure and a shorter overall life may have impacted the number of smart meters installed to date.

The domestic gas supply market is dominated by the "Big 6" Suppliers but a greater number of Suppliers play a significant role in the non-domestic sector, a market which also utilises a wider range of metering and data solutions, meaning Suppliers cannot benefit from economies of scale in the same way. Where there is no finalised SMETS2 specification, non-domestic Suppliers are also subject to potentially higher costs from sourcing and installing SMETS1 meters which may not be compatible with either the finalised SMETS2 design or other Suppliers.

Domestic consumers will not be obliged to have a smart meter. However, Suppliers to non-domestic sites are able to specify the commercial requirements under which they will offer a gas supply and this may include acceptance of a smart meter.¹ We believe that greater clarity of Suppliers' smart metering strategies would be beneficial to non-domestic consumers and other industry parties alike. Where Suppliers have differing strategies and degrees of smart-readiness, consumers may be reluctant to take up a smart meter if they feel their ability to switch is compromised. We therefore believe that the extension date of April 2016 enables greater development and alignment of Supplier strategies, given that both a final SMETS2 specification and operational DCC will be in place at this stage. This would minimise exposure to costs due to obsolescence or interoperability issues, continue to enable the benefit of early provision of additional functionality and help to minimise the inefficient exchange of fit for purpose meters.

Signal frequencies and "dark" metering

Minimising instances of "dark" metering (where a smart meter cannot operate in a fully remote fashion, effectively operating as a traditional meter) remains important to achieving mass roll-out. If the meter cannot operate in "smart" mode then there is no obvious incentive for it to be fitted. Should "dark" metering remain an issue, AMR could provide the means for Suppliers to deliver smart requirements as set out in their licence and for consumers to consistently receive consumption and energy management data. DECC acknowledge that a wide range of data and communications services and technologies already exist², not only stimulating competition but

¹ Databuild Research and Solutions' report on behalf of Consumer Future discussing small and micro-businesses' experience of smart meters can be found at:
<http://www.consumerfutures.org.uk/reports/a-smart-business-small-and-micro-businesses-experiences-of-smart-meters>

² DECC smart metering information leaflet for non-domestic consumers can be found at:
<https://www.gov.uk/government/publications/smart-metering-non-domestic-leaflet>

enabling many non-domestic consumers to drive towards efficient energy usage, an objective underpinning the transition to smart metering.

Consumer involvement in future contractual arrangements

We recognise the clarification regarding the contractual arrangements required to allow advanced metering installations to be accepted after April 2014, such that it is clear that these must now directly involve the consumer. We understand that a key driver in the business case for smart metering centres on the delivery of consumer benefits and realising these requires consumers to be aware of the various solutions available to deliver smart metering. We are concerned that, up until recently, there have been several areas of smart policy which have not been sufficiently clear to consumers and the industry alike. In particular, arrangements regarding data access and security and technical specification have yet to be fully agreed, along with various consultations regarding possible supplier exemptions to roll-out requirements.

We believe that the direct involvement of the consumer in agreeing future contractual requirements may represent a change to some Suppliers' smart metering strategies and it may take time to establish sufficient business process and engagement activities. We are also mindful that the larger number of Suppliers in the non-domestic gas market may require some additional time to ensure that any changes to business activities neither disadvantages any consumer nor reduces competition or interoperability. As a result, we feel that the extension of advanced metering installation to April 2016 represents a more realistic way to enable sufficient consumer and process solutions to be established.

If you have any further questions regarding this response, please contact me or

Yours sincerely,

By email

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