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Dear Geoff

Smart Meters - AMR extension – response to open letter

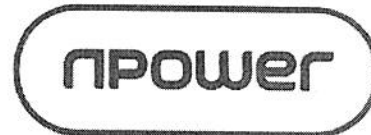
Please find enclosed our response to the open letter, which is not confidential.

We are broadly supportive of the government's proposals, and in particular the extension to the end date beyond 5 April 2014.

In question 1 we have asked for clarity on the requirements in regard to faulty meters.

Yours Sincerely,

Regulation Director



1. Should the period during which advanced meters can be installed be extended?

Yes

The relaxation of the end date increases consumer choice, which is particularly important in advance of the time when SMETS2 meters are widely available and with installation and operation experience. The early stranding/obsolescence of installations in consumers' portfolios is also reduced.

In addition to this there is more time to consider the situation with non domestic meters not connecting to the DCC and the balance between the benefits of innovation and standardisation, and flexibility and foreclosure by dominant technologies.

We do not see that such an approach will have any detrimental effect or material impact on either our, and so by inference the industry's, smart metering deployment strategies or the ultimate volume of equipment that would be enrolled and adopted by the DCC.

We do however seek clarification around the differing Licence Conditions that are currently drafted in order to avoid confusion around dealing with faulty Advanced Meters in premises for profile classes1 – (electricity) or less than 732,000kWh (gas) - how these should be replaced and with what?. In particular, Supply Licence Conditions 39.9 and 39.10 could be read in such a way as to suggest that if a customer has had an Advanced Meter installed then the Relevant Supplier would be exempt from having to ultimately replace this meter with a smart meter after either the meter requires replacing or the end of the smart rollout occurs.

2. What are the impacts on the non-domestic metering market if the exception period were not extended?

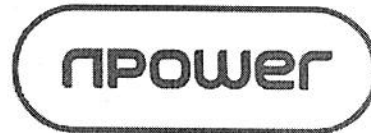
Large-scale, negative impacts would be possible.

We envisage that without this extension there could be a period of time where Advanced Meters can no longer be installed but that a suppliers' chosen SMETS compliant meter offering is not yet available. This would lead to a 'gap' in meter provision for some suppliers which, in turn, would lead to poor customer services for this market segment and bad PR for the Programme in general and those suppliers involved, in particular. Further; if this situation were allowed to happen it could distort the market by placing some suppliers at a competitive disadvantage.

Whilst the benefits may be less than fully smart (SMETS), the avoidance of the gap facilitates:

- i) The development of improvements in distribution charging mechanisms that can begin to utilise more accurate and timely information; and
- ii) Customer choice as they begin to understand the metering data that will become available, how they can use this data to better understand and manage their energy usage and to provide the ability to settle half-hourly.

We therefore see this type of metering solution as part of the customer journey to a smart world.



3. What effects any extension would have on the operation of the supply market?

The use of DCC services is not mandated in the business sector. This is mainly due to the fact that there will always be a mix of metering arrangements in the market, with associated and varying technical solutions, that cannot all be adequately serviced by the DCC. We would therefore anticipate that an extension would have a relatively small impact on the operation of the supply market.

We believe that this flexible approach will provide a range of benefits, including:

- i) Supplier perspective - greater potential to help suppliers manage compliance issues (e.g. theft of energy); and
- ii) Customer perspective - maintains customer choice, whilst fulfilling the growing demand for AMR without adversely affecting other areas of the customer base.

4. Should any arrangements apply in the same way to both electricity and gas meters?

Yes

Arrangements for gas and power should always be aligned except where there are compelling reasons not to do so

We believe that the alignment of gas and electricity systems and processes is of fundamental importance, bringing as it does benefits for all industry parties in the form of increased effectiveness and efficiency. Further, such alignments help to ensure a more positive customer experience when dealing with the industry that inevitably leads to improved public relations.

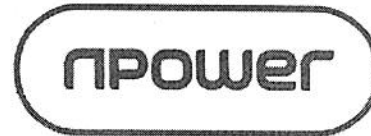
5. If it should be extended, whether it should be extended to:

- o April 2015;
- o April 2016; or
- o a date that would be designated in due course with an appropriate notice period (for example, six or twelve months)?

April 2016.

We believe that the most appropriate approach to establishing an extension would be to specify a date rather than a notice period as this approach is likely to provide the greatest clarity for all market participants concerned, a fundamental requirement, particularly during the early stages of mass-rollout.

With this in mind we would prefer to see a date 'post DCC Go-live' at a point where the DCC is fully operational to all suppliers and at the volumes necessary to support the industry. We believe that ideally this should be around six months after formal start of mass roll-out (i.e. Controlled Market Startup has completed), to ensure that systems, processes, activities and roles have had a chance of settling down. Such an approach is more likely to ensure that all suppliers are fully enrolled and functioning within the new smart environment to allow SMETS 2 to be installed.



6. Section III: Exception for advanced installations after 5 April 2014

We envisage that exceptions allowing continued installation of advanced metering could include situations where the customer wishes to make alternative arrangements that include opting-out of using suppliers' services or smart metering equipment. In these cases we suggest that consideration is given to amending the Licence Condition to include a requirement of proof in order to better protect the supplier from any subsequent obligations.

Our interpretation of the contractual arrangements in this context has always been that they apply in respect of contracts that must include the customer, but we would welcome DECC clarification on that point to ensure consistent interpretation across the industry.

7. Section III: Definition of non – domestic electricity sites (Paragraphs 20 -23).

Views sought on the appropriateness of amending the definition of non-domestic premises to mean all non-domestic sites in Profile Classes 1-4?

We support the amendment.

We welcome and fully support anything that provides clarity around the definition of non-domestic sites in the context of installing Advanced Meters and that this should clearly show that this must also include Profile Classes 1 and 2 in order to include those domestic sites that form part of a group non-domestic contract. We would ask that the gas equivalent arrangements and definitions are also considered and developed appropriately.

8. Section III: Provision of information to customers, Paragraph 25.

Views on incorporating a minimum requirement for information provision in the definition of a Smart Metering System at designated premises in the roll-out licence conditions?

It is important to remember that suppliers are under no obligation to provide an In Home Display for non-domestic customers. Provision of information can take many forms and 'opting-out' of making use of DCC services does not automatically mean a poorer service for these customers. Consideration must also be given as to who can see this information, for example a landlord or other 'bill payer' may not wish their tenants to have access to certain consumption data.

Further we envisage two scenarios that need to be considered further where a customer is effectively opted out of using DCC services but still assumes that they have access to their data, these can be summarised as:

- i) Supplier 'opt-out' – whereby a supplier prefers to use its own data provider. This is an acceptable and allowable arrangement; and
- ii) Customer 'opt-out' – whereby the customer prefers to make arrangements with a third party and so does not require the use of DCC services. In this situation the original supplier cannot be expected to remain obliged to provide consumption data (see also our response to Q6).