



Smart Metering Implementation Programme - Regulation
Department of Energy & Climate Change
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29 August 2014

Consultation on the DCC's procurement Strategy and Statement of Service Exemptions

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

EDF Energy has reviewed the DCC's proposed Procurement Strategy, and in general is supportive of the approach being taken, but notes that it would be helpful if a suitable mechanism is incorporated into the Strategy which allows interaction, where appropriate, with SEC Parties, particularly those who may be impacted by the procured Services. EDF Energy does not believe the draft Statement of Service Exemptions meets the requirements of the DCC licence because of the need to remove confusion over exclusions relating to 'coverage area' and 'coverage region' and exempted properties.

Our detailed responses are set out in the attachment to this letter.
Should you wish to discuss any of the issues raised in our response or have any queries, please contact _____ or myself.

I confirm that this letter and its attachment may be published on DECC's website.

Yours sincerely,

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Attachment

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EDF Energy's response to your questions

- Q1. Do you have any comments on the DCC's Procurement Strategy for Relevant Service Capability? In particular:**
- Do you agree that the Strategy meets the requirements of the DCC licence? and
 - Do you agree that the Strategy is suitable for approval by the Secretary of State?
- If you do not agree, please explain your rationale.**

The DCC Strategy meets the requirements of the DCC Licence, however, we have two observations to make which are relevant to the refinement of the strategy:

- There is no visibility of any procurement policies, which if available may be adequate for the purpose intended. However, EDF Energy would recommend that, if not already encompassed, terms which specify the need for Sustainable, Ethical and Safe provision of products and services are incorporated.
- Facilitate engagement with key stakeholders/SEC parties who may be materially impacted by the specific procurement being undertaken to ensure that any current sensitivities or desired improvements are considered as part of the procurement exercise.
- EDF Energy agrees that subject to the observation made in response to Question 1, that the Strategy is suitable for approval by the Secretary of State.

- Q2. Do you have any comments on the DCC's Statement of Service Exemptions? In particular:**
- Do you agree that the Statement meets the requirements of the DCC licence?
 - Do you agree that it is reasonable that more detail is provided as the DCC and its CSPs learn from operational experience? and
 - Do you agree that the Statement is suitable for approval by the Secretary of State?
- If you do not agree, please explain your rationale.**

EDF Energy is not content that the statement meets the principle of the requirements of the DCC Licence, as clarity is needed regarding the following points.

The DCC Strategy refers to 'Coverage Areas' and 'Coverage Regions' and whilst it is clear from the document these are not synonymous, there is some confusion over the use of the two terms and there are contradictions in explanation of the two categories. For example:

- 'Category Exemption 1' relates to an 'additional 1%' of properties in the 'coverage area' that will be exempt, and then refers to the tables erroneously presented in the

section on 'category exemption 2'. In addition, these tables show a maximum exemption at 2021 of 0.75% not 1%.

- 'Category Exemption 2' refers to an area outside of a 'Coverage Region', which will also be exempt, thereby reducing the overall target percentage dependent upon the number of properties excluded from the 'Coverage Region'. This should be clarified in the 'Statement of service exemptions' to be explicit and the significance of the difference and the rationale for exclusion made clear. It is worth observing that the reference to improving coverage over time 'outside of the coverage area' is helpful, but without understanding the magnitude of the gap or how this may be achieved, it is difficult to understand how this will be addressed.
- 'Category Exemption 1' relates to coverage within a 'Coverage Area' and 'Category Exemption 2' relates to 'Coverage outside of a 'Coverage Region', but there is no definition of the difference between a 'Coverage Area' and a 'Coverage Region', as there appears to be a difference between the two geographies and properties encompassed! Note, it is stated that "Premises not within a 'Coverage Area shall be excluded from the provision of SMWAN connectivity".

In reviewing the 'Statement of Service Exemptions, EDF Energy would draw the following conclusion regarding coverage:

Total Number of Properties Exempted/Excluded = (Exemptions within a Coverage Area: Tables 1,2, 3) + (Exemptions outside of a Coverage Region: Undefined) + (Difference in Number of Properties within a Coverage Region and Coverage Area: Undefined).

Clearly this raises concerns over the significance of the number of properties for which an 'undefined' exemption is being presented, plus the number of properties being 'excluded'. At this time EDF Energy has assumed, based upon the information provided to date, that by the end of the rollout period coverage across all 'relevant' (needs definition) properties within the geographic boundaries of Great Britain would have achieved at least 99.25%, and that the definition of a 'Region' encompassed all properties within that region with a grid connected revenue meter. This does not appear to be the case based upon the 'statement'.

EDF Energy agrees that it is reasonable that more detail is provided as learning develops, however, it is vital that a baseline is established, along with formal 'metrics', to help measure progress and provide clarity of objectives. However, in summary, we do not believe the statement meets the requirements of the DCC licence because of the need to remove confusion over the following:

- Quantifying the 'excluded' properties between the boundaries of a 'Coverage Area' and a 'Coverage Region'.
- Quantifying the 'exempted' properties outside of a 'Coverage region'.
- Correcting reference to the coverage tables within the structure of the 'Statement'.

EDF Energy
August 2014