

Ofgem

Observations on roll-out of smart meters

Initial review notice

XX May 2017

Listed below are some questions or concerns that the RPC has identified as part of its scrutiny process. **Please respond within 15 working days.** Pending receipt of the department's reply, the case will be placed on hold, with any elapsed time not counting toward the RPC target turnaround time for this case.

Please let us know if it is not possible to respond **by XX May 2017**. If this is the case, or if the response does not address adequately the issues raised, the RPC will process the case based on the IA as initially submitted, without further communication. The RPC considers that the first point below may generate a red-rated opinion if not addressed adequately.

Red-rated points

1. Missing impacts

The assessment acknowledges that the letters define more specific requirements for suppliers who wish to be sure that they have met the requirement to "take all reasonable steps" to deliver the roll-out by the end of 2020, and that as a result of the letters some suppliers may incur implementation costs that they would not otherwise have incurred. However, Ofgem argues that the approach is preventing suppliers from acting in a non-compliant way and that any costs and/or benefits will therefore be incurred only by non-compliant suppliers.

The assessment does not describe the additional requirements implied by the letters or the evidence underpinning them fully or clearly. As a result, and on the basis of the evidence presented, Ofgem has not demonstrated clearly that additional costs will fall only on non-compliant businesses. Ofgem must either explain more clearly why its argument is reasonable, or calculate the costs and benefits to compliant suppliers.

RPC initial engagement on concerns with IAs

The following rules or safeguards apply:

- **The RPC can still issue red-rated opinions.** For example, if:
 - o departments are unable to respond with a revised IA/response within 15 working days;
 - o the changes are not sufficient to respond to the RPC's concerns;
 - o departments repeat similar mistakes/flaws the RPC reserves the right to issue red-rated opinions in those cases without applying the approach above; or
 - o an IA is withdrawn following discussion/issue of a notification the RPC will, nevertheless, issue a red-rated opinion.

- **Any IAs that are not fit for purpose as first submitted but that are subsequently improved to become fit for purpose, will be recorded in opinions and departmental rankings, as not fit for purpose as first submitted for RPC scrutiny.** RPC opinions will state clearly what improvements have been made to enable this to be transparently presented/published in due course. Only once sufficient improvements have been made will a 'new rating' be awarded instead of red but this will be recorded in RPC records in the same way as red-rated opinions – i.e. first time submission not fit for purpose.

The RPC will record in its opinions the rating of the IA as submitted, and the rating following any changes made.

- **Cases where the issues raised are clarifications (for example, in line with reasons for which the RPC contacts a department) will be recorded as fit for purpose on first submission.** It is for the RPC to decide to which cases this applies.

- While every effort will be made to identify all significant concerns in the initial review process, such concerns may be highlighted through the later stages of the scrutiny process. The extent to which such concerns are not raised in initial communications with departments will be a key test for how robust and consistent the system is.

- The purpose of any departmental responses, discussions or meetings relating to notified issues is to inform the position rather than offer a judgment – this is not a negotiation, any more than are post-red meetings.

- While the RPC is waiting for departmental responses, the time taken will not count towards RPC target turnaround times.