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Dear Steve

Review of Metering Arrangements (ROMA) – Transition to Smart Meters

Thanks for the opportunity to respond to your consultation ref 175/11.

In summary our views are:

The Meter Provider of Last Resort (MPOLR) should continue to reside with the Distribution Networks (DNs) for electricity and gas.

The post emergency services (PEMS and UMETS) should be provided along with MPOLR.

Consideration should be given to the supply situation of the consumer after MPOLR/PEMS/UMETS, for example off supply, on supply with a traditional credit meter, on supply with a compliant smart meter in traditional mode, etc.

Independent Gas Transporters (IGTs) should be brought in scope as soon as possible

There should be regulatory oversight of Meter Asset Provision (MAP) rental and a review of MPOLR charges.

Unbundling of MAP and Meter Operation (MOP) in gas should be completed.

Our detailed comments are enclosed.

Yours sincerely

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Question 1:

What do you consider are the pros and cons of our approach to managing traditional metering in the transition to smart metering?

Backstop Meter Provider of Last Resort (MPOLR)

We regard “meter provision”, on the request of a supplier as;

- i) For credit meters before smart meter mandation date, the provision of a meter that is compliant with the National Measurement Office (NMO) rules
- ii) For prepayment meters before smart meter mandation date, as above plus compatibility with the local Prepayment Meter Infrastructure Provider (PPMIP)
- iii) After the smart meter mandation date, provision of a meter that is compliant with the prevailing Smart Energy Meter Technical Specification (SMETS), but no other infrastructure (IHD, coms, etc..)
- iv) For all of the above the installation of that meter in a condition that is flowing energy
- v) An opening meter reading
- vi) The capability of ongoing manual reads
- vii) On the development of meter fault within a guarantee window, all of the above

Regarding installation, we not believe that MPOLR entails installation in emergency timeframes (evenings, weekends and bank holidays, less than four hours notice at other times). However, as noted below, we do believe that emergency work (PEMS, UMETS) should be a last resort provision by the DNs.

Pro's	Con's
Creation of a Backstop MPOLR would lead to the introduction of a standardised solution and thence a uniform consumer experience.	The standardised solution and the backstop MPOLR provision may not be “fit for purpose”
Creation of a Backstop MPOLR could address the loss of economies of scale issues that are outlined by Ofgem within the ROMA decision document	Economies of scale create natural monopolies which may deter new entry
Small and new entry suppliers have lower entry hurdles with MPOLR.	Exclusion of IGT's from the decision means that suppliers do not have full MPOLR and must engage in commercial transactions, which are harder on IGTs than main DNs.
MPOLR provides regulatory protection of charges. Particularly in gas as the current regime has been in place since 2002 and the tariffs do not appear to be cost reflective	Commercial interoperability can in practice be thwarted by the natural monopoly.
In the case of gas, National Grid Metering (NGM) have the capability to provide the national Backstop MPOLR	The industry's dependency upon NGM would remain, albeit on a diminishing basis as the rollout of smart meters



service.	progresses. Particularly strong regulation would be required to ensure ex ante cost reflective charging, as ex post adjustment following the Competition Act case has been problematic.
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Commercial Interoperability

Pro's	Con's
We believe that commercial interoperability through contract incompatibility and ideally a standard commercial framework is an important principle, that protects small and new entry suppliers and actors in the metering area, and ultimately benefits consumers.	The standardisation has the potential to inhibit commercial innovation.
The ability to change Meter Asset Provider (MAP) with relative ease is important in both traditional and smart world	
Continuity of rental for the MAP on change of supplier and MAP reduces cost stranding	

Unbundling of Meter Asset Provision and Meter Operation in the gas market

Pro's	Con's
Unbundling is a core principle of the Supplier Hub regulatory model in Great Britain. This allows the development of competition and thence commercial and technical innovation, which ultimately benefits consumers	MAM unbundling into MAP and MOP may incur a one off cost, but the unbundling activities (such as the proper addressing of meters) is something which should be done anyway
	There are some natural monopoly features of MAP/MOP bundling into MAM as meter provision is in situ not in warehouses, and hence the cost of meter exchange can be partly capitalised. However, commercial innovation and new accounting rules on operating leases erode the cost advantage of natural monopolies.

Our views

We believe that there should be a backstop MPOLR and in gas that it is sensible that this role should sit with National Grid Gas, and can be discharged by National Grid Metering.



Question 2

Do you consider that our assessment of the related issues within the metering market is accurate?

Commercial Interoperability

Ofgem's decision is that regulatory intervention is not appropriate at this time

The current bundled nature of gas MOP and MAP in Meter Asset Management (MAM) severely limits the entry of MAP only companies to the market, and to a lesser extent MOP only companies.

Unbundling and competition would be facilitated by MAP assignment, i.e. the transfer of a meter asset from one MAP to another on a standardised basis. This would reduce unnecessary meter exchanges and thereby improve the consumer experience in change of supplier.

We believe that MPOLR should not be bundled more than necessary and hence MAPoLR and MOPoLR are slightly different and could lapse independently.

We believe that there should be regulatory oversight of MAP rental (for both traditional and smart meters) particularly during the Foundation period as technology standards emerge and change.

Ability for gas suppliers to access MPOLR

Ofgem has decided not to remove the MPOLR obligation on DNs at this time.

We support this decision

In gas, the regulated rates, which were set in 2002, do not reflect the current costs and a review would be beneficial

Small Suppliers Access to Smart Meters

We recognise the benefits of requiring an "in-area" incumbent to provide services for competitors. This has also been the case for Prepayment Infrastructure Provision (PPMIP). However, the concept of "in-area" for electricity suppliers is becoming outdated and there has never been a concept of an in-area gas supplier. Hence we do not believe that suppliers should have obligations based on previous incumbency. It does remain the case that where suppliers have metering businesses, that they have geographical density, which is itself associated with previous supply incumbency. However it would be very cumbersome to require suppliers with density in their in-house metering businesses to be required to offer metering services to all other suppliers. Whilst there have historically been issues when an incumbent MOP has withdrawn services at short notice, other MOPs have since been quick to fill the gap. Therefore we do not believe that there is an issue to address. We do recognise that as a large supplier that we may not have sight of issues faced by small or new entry suppliers.



Question 3

How should emergency metering services be provided for in the transition to smart metering?

There are three key roles here;

- i) safety, on the distribution side, for the consumer and their neighbours
- ii) safety, on the consumer side, for the consumer and their neighbours
- iii) continuity of supply for vulnerable consumers

Commonly, the cause of danger cannot be established prior to the visit, and hence a distribution operative is required. Suppliers may not undertake safety related activities under their supply vires.

Hence the DNs will in all events require field forces that have “24/7” cover. There is then a natural monopoly.

A key question on the transition to smart is one of continuity. With traditional metering, DNs that are not MAPs have the choice of leaving the consumer off supply or recouping the charge from the supplier’s MAP (a rather complicated process). Having standard credit meters “in the van” does not present significant technical or logistical issues, and the cost of the meter itself is relatively small. In smart, this changes considerably, particularly if supplier exemptions from having to replace non compliant advanced domestic meters causes meter type proliferation.

There are various workarounds to maintain continuity for vulnerable consumers, such as allowing the fitting of credit meters after mass rollout (the supplier being required to exchange it for smart), or the installation of a standard smart meter in standalone credit mode (no IHD, coms etc). Both require some form of MAP agreements.

At this point, we cannot see how safety and vulnerable consumer continuity can be maintained without a continuation of emergency services (PEMS/UMETS). It may be that new entrants appear who can perform both the PEMS/UMETS work for the DN and the MAP or MAP assignation and the MOP work for the supplier. If this happens in sufficient scale to have wide coverage and rapid response, then mandatory provision of PEMS/UMETS by the DNs could be removed.

There are in addition certain scenarios for which the natural monopoly can be most effective, for example in mass meter replacement following floods. The experiences of floods has been salutary in this regard as tens of thousands of meters required replacing, sometimes several times. At present the distribution networks maintain the responsibility for consumer safety, including continuity of supply and contingency measures in homes (heating etc.). Since consumers can change supplier and not network and because networks are physical businesses then it makes sense for emergency responsibilities to remain with the DNs, and in any case absolute clarity is required. Currently we have this clarity.



Question 4

How should emergency metering services be provided, for smart meters?

We believe that PEMS/UMETS should continue as part of the backstop MPOLR arrangements.

However we believe that if there is proliferation of compliant smart meter technologies or of advanced domestic meters, then it may be appropriate for the DN either to fit traditional meters or current SMETS compliant meters of a standard type, in traditional mode (no In Home Display or Communications setup).



Question 5

Which is your preferred option for managing the transitions and why?

We oppose the continuation of MOP/MAP bundling and therefore we favour a new option D (unbundled MPOLR service) over option C.

In addition, Option D should also allow 3rd parties to operate on assets that are not directly owned.

It would be preferable for the backstop MPOLR to be obliged to offer terms to GDNs for maintenance of GDN's existing meter stock.

It may be appropriate for Backstop to offer to take on ownership (asset transfer) of GDN's existing meters where requested. This would concentrate too much dominance power within NGM, although we recognise that this would be on a diminishing basis as the rollout of smart meters progresses.

We believe it to be essential that there is at minimum regulatory oversight of MPOLR charges and ideally a price control.



Question 6

Under Option C, is it appropriate to carry out a price control review?

Yes

Whilst we acknowledge that undertaking a price control review will be a lengthy process, we do not believe that the length of time involved should rule out this option. A significant period of time has elapsed since the last full price review, and given the significant industry changes that are currently being progressed we believe that the time is now right for a Price Control Review to be undertaken in order to avoid further problems in the future. In addition, the Price Control Review option provides the only opportunity to challenge the regulatory tariff in gas which allows NGM to continue to charge full rates for written down assets and this approach would ensure that Ofgem, rather than NG, were in the driving seat.

As a second best, a consultation of charging could be conducted in which MPOLR providers voluntarily accepted a charging schedule.



Question 7

Which of our revenue restriction options do you consider is appropriate and why?

We believe that a price control is best and a charging consultation could be acceptable. A third option is regulatory oversight.

Option 1 (Charging Consultation) would be a quicker process and lead to a more timely resolution and would firmly place the issues into the public domain, however based upon our MSA experience we are not confident that this consultation process would lead to the most robust outcome. If this Option were to be progressed then the process and methodology should be clear.

Option 2 (Price Control Review of Tariff Cap) could be more likely to lead to a robust outcome; however the Price Control Review process is lengthy and carries a risk of "timing out". As outlined in Question 6 however, we are supportive of a Price Control Review.

The introduction of the principle of having a right to transfer MAP (MAP Assignment) is fundamental and we acknowledge that some element of price control may be required to introduce this principle if introduction of Regulatory Oversight is not deemed to be sufficient.

Question 8

If you are a GDN, would you prefer to transfer MAP ownership of your traditional meters (i.e full transfer), or to subcontract new requests and the management of historical stock (i.e partial transfer) or continue to manage your own meters?

We are not a GDN



Question 9

If you are a commercial meter operator (CMO), do you envisage a point in the smart meter rollout where you would be interested in consolidating your traditional meters?

We understand this question to mean: "will there be a point in time at which we would like to withdraw from offering Meter Operation services for traditional meters?"

CMO is not defined within the glossary, however we are assuming that the question relates to consolidation of the provision of MOP services as defined within your glossary (i.e Meter operation comprises all work associated with installation, commissioning, testing, repair, maintenance, removal and replacement of [electricity] metering equipment) for traditional meters (both gas and electricity)

We can envisage that an area that we may be interested in consolidating going forwards would be that of Meter Reading (for both gas and electricity) which is an activity not captured within your Metering Agent definitions.

There may be a point in the smart meter rollout where we may wish to consider consolidating our traditional meters.