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## **Review of Metering Arrangements: Decision and consultation on transition to smart meters**

Dear Steve,

I write in response to the Ofgem document "Review of Metering Arrangements: Decision and consultation on transition to smart meters."

The focus of this letter is on Ofgem's decision regarding small suppliers' access to smart meters.

### **Overall view**

As you will know from our previous responses on metering SmartestEnergy is currently operating in the half hourly electricity market only but is looking to expand operations into the NHH business sector in the future. Our involvement in the gas market is minimal and our comments below relate more generally to the electricity market.

As you will also know, SmartestEnergy is one of the small suppliers who have supported the notion of a metering provision obligation on larger suppliers because we anticipate difficulties in the future, especially in the area of traditional meters during the transition as the provision of these services becomes increasingly non-viable.

Whilst it may be true that those difficulties are not being experienced to any great extent by existing players at the moment we feel it is important to make provisions for the eventuality now because action to remedy the situation will almost certainly be too slow when the issue does manifest itself. SmartestEnergy has experienced difficulties engaging with companies for traditional Meter operator services. Nonetheless, we appreciate the suggestion in the document that Ofgem will continue to monitor this issue and if difficulties arise will review the potential role for regulatory obligations as a means of ensuring that metering services are made available.

We would also observe that the evidence that some smaller suppliers are using smart metering actively as part of their commercial offering to consumers is actually evidence that they have concerns about the maintenance of traditional metering contracts and have been prepared to take the risk that such meters may be non-compliant and that their implementation may not fit with

current industry practices (which in turn will affect their ability to meet various performance standards.) A more regular attendance from Ofgem at Elexon's Performance Assurance Board should help with the monitoring in this area.

We are also concerned about any arrangements which refer to a transition period anticipating the end of traditional meters. The fact that there is a lack of an obligation on customers to have Smart meters installed leads us to believe that there will be a significant proportion of customers who are not on Smart meters well into the next decade.

### **Ofgem's specific questions**

We answer Ofgem's specific questions below in the order in which they appear in the consultation document.

Question 1: What do you consider are the pros and cons of our approach to managing traditional metering in the transition to smart metering?

Please see our overall view above.

Question 2: Do you consider that our assessment of the related issues within the metering market is accurate?

Ofgem's assessment touches on most of the relevant issues. We agree that it is appropriate to have in place meter charging arrangements which reflect current efficiency savings and any future increases in costs due to loss of economies of scale. However, we are concerned about any arrangements which refer to a transition period anticipating the end of traditional meters. The fact that there is a lack of an obligation on customers to have Smart meters installed leads us to believe that there will be a significant proportion of customers who are not on Smart meters well into the next decade.

Question 3: How should emergency metering services be provided for in the transition to smart metering?

We are not sufficiently familiar with commercial post-emergency metering services in the gas market to comment on this matter.

Question 4: How should emergency metering services be provided, for smart meters?

We are not sufficiently familiar with commercial post-emergency metering services in the gas market to comment on this matter.

Question 5: Which is your preferred option for managing the transitions and why?

We would say that option C is the fairest solution, taking into consideration the needs of all parties involved.

Question 6: Under option C, is it appropriate to carry out a price control review?

On the assumption that Ofgem would require NGM to satisfy them that the existing tariff structure of charges is appropriately cost-reflective, we are reasonably comfortable with the concept of the consultative approach. However, we would consider such consultations to be largely tokenist and price control would be preferable.

Question 7: Which of our revenue restriction options do you consider is appropriate and why?

Please see answer to Q6.

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

Should you wish to discuss any aspect of this matter, please do not hesitate to contact me.

Yours sincerely,

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