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7 October 2013

## Supplier reporting to Ofgem during the smart meter roll-out

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.

### Summary

EDF Energy welcomes the opportunity to respond to this consultation. The key points of our response are:

- The roll-out of smart meters is right for GB and EDF Energy remains committed to it. The current GB design, specification and market model is complex and increases cost and the risk of delay.
- EDF Energy welcomes the decision by DECC to put the programme back on a credible timetable. However, there are still a significant number of requirements that need to be delivered before the mass roll-out of smart meters can begin.
- All Suppliers and Energy UK recognise that the optimal roll-out of smart meters relies on a number of key enablers. These include a competitive supply of robustly tested, secure and interoperable GB specification meters, combined with a national, reliable end to end communication arrangement. Without these key enablers the cost to the customer will increase, there will be a detrimental impact on customer service and unnecessary risks will be introduced to the programme. The focus should be on testing and trialling until these key enablers are delivered.
- EDF Energy does not believe that SMETS 1 meters are right for customers as they are not interoperable, are not secure, and do not deliver any of the network benefits. We therefore believe that SMETS 1 meters should be limited to testing and trialling and the mass roll-out of smart meters should not start until SMETS 2 meters are available which will deliver the best customer experience.
- The introduction of the reporting requirements should be aligned with the delivery of the key enablers and the start of mass roll-out. This will ensure that Suppliers are able to deliver against the milestones that they have submitted and not penalised due to issues such as a dis-engaged customer or the lack of a technical solution for multi-dwelling units which they have no control over.

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- Suppliers also require clarity from Ofgem as to what is expected of the requirement to use “all reasonable steps” to install Smart Metering Systems. This will help to provide a positive customer experience and ensure that the costs to customers do not escalate. Without clarity on what is expected of “all reasonable steps” we believe that the compliance target for the milestone reporting should be widened, as Suppliers will have limited experience which they can use to forecast the success of their reasonable steps.

In general, EDF Energy supports the reporting framework that Ofgem has put forward. As recognised in the consultation there are clear synergies with the DECC annual reporting, and so it would appear appropriate to align the two. We note that there are early discussions on amending the timetable for the submission of the DECC report so that it is submitted in February. There is also a risk that the data required from the DECC reporting is amended as the roll-out progresses so that the synergies are lost. In this instance Suppliers would be required to submit two separate reports at the same time. This would create inefficiencies in workload and resource management. We therefore believe that the submission of the two reports should continue to be aligned when there are synergies to be realised. We would welcome clarity from Ofgem as to how changing the reporting timeline, or data for DECC would be managed going forward.

We have concerns about submitting a roll-out profile in January 2018 that will set binding targets for December 2018 and 2019. The ability to accurately forecast two years in advance will be undermined by change of supplier events over that period. We would also note that based on our experience of the AMR roll-out, as we get closer to the end of the roll-out, it is likely that the most engaged customers and technically least challenging installations will have taken place. As such our “success rate” for meter installations at the end of the roll-out is likely to reduce, leading to more uncertainty in forecasting installed numbers. We therefore believe that the target for 2018 and 2019 milestones should be amended to 90% in line with the 2016 and 2017 targets to address the uncertainties and complexities that Suppliers are likely to face at the end of the roll-out period.

EDF Energy supports the DECC stance that the mass roll-out will take at least five years. We do not believe that it would be appropriate to begin the mass roll-out of smart meters until the key enablers are delivered. In order to commence the mass roll-out of meters we require a competitive supply of interoperable and reliable SMETS 2 meters; combined with a national, secure, end to end communication system and an engaged customer to roll these metres out to. Until these are delivered it would not be possible to forecast our roll-out plans with any degree of accuracy. As such, we support Ofgem’s proposal to commence reporting in 2016, provided that the key enablers (including a SMETS 2 meter) are delivered in 2015, in line with the current DECC plan. We believe that there is a value in submitting a voluntary report in 2015; and can confirm that it is our intention to do this. However, we do not consider that it would be appropriate to publish this forecast on to our website. The value in submitting the report is to gain experience and understanding of the process for completing the report and identifying any issues with definitions or assumptions. Due to the high risk of external factors altering plans during the year these forecasts would not represent an accurate view of what will actually be

rolled out in 2015. Publishing on our website is unlikely to provide any value to our customers and could provide a misleading view. We agree with Ofgem that our milestones should be published on our website from the beginning of the mass roll out to provide trust and transparency of our plans with our customers.

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 Andrew Jones on 07875 119072, or myself.

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

Yours sincerely,

A handwritten signature in blue ink that reads "Paul Delamare".

**Paul Delamare**  
**Head of Downstream Policy and Regulation**

## Attachment

### Supplier reporting to Ofgem during the smart meter roll-out

#### EDF Energy's response to your questions

#### Content of Roll-Out plans

#### Question 1: Do you agree with our proposals for the content of the Roll-Out Plans?

EDF Energy agrees with the high level content of the Roll-out Plans including, providing an opportunity to share our strategic approach, annual milestones and a narrative. We support a narrative summary word limit of 650 words to provide a short summary; however, we also believe it would be appropriate to provide Suppliers with the opportunity to submit supplementary information to support the narrative. This will enable Suppliers to provide important supporting information on assumptions and views and enable a full and complete understanding of a Suppliers roll-out plans and arrangements.

We note that the reporting of the milestones is based on successful installations after Suppliers have taken all reasonable steps to install a smart meter. It is important to recognise that 100% of customers will not have a smart meter in 2020 due to issues such as:

- Lack of DCC coverage. For example, we understand Telefonica currently predicts 99.25% coverage by the end of 2020. The industry and Ofgem need to develop a view as to whether these customers should receive a smart meter that is not connected to the central systems given the impacts on customer experience, functionality that will be available, costs and impact on customers who wish to use prepayment arrangements.
- Customers refusing smart meters and Suppliers being unable to gain access on a long term basis.
- Technical issues which we are not able to be over come including safety and obscured or inaccessible meters.

In formulating our roll-out plan and business case EDF Energy assumes less than 100% of our customers will have a smart meter consistent with the requirement to only have taken "all reasonable steps" to fit them. We will update our planning assumptions throughout the roll-out period based on the experience and understandings that we have gained. We intend to use the planning assumption percentage that is in place at the time of each submission as the basis of our report. This will mean the 2020 the final installed percentage of meter points with a SMETS meter will be less than 100%. We think it would be beneficial to submit a secondary annual milestone for every year which includes all premises we have attempted to install a smart meter, including successful installations and those were we took all reasonable steps but were unable to install a smart meter. This

would help to provide a complete picture of our expected roll-out plan to Ofgem and our customers. It should also be recognised that some customers who did not have a smart meter installed in one year may be re-approached later in the roll-out if we believe circumstances have changed and we may now be able to install a smart meter.

For clarity, EDF Energy still plan to approach all of our customers covered by the mandate and attempt to install a SMETS compliant smart meter by the end of 2020 in line with the all reasonable steps requirement.

**Question 2: Do you agree with our proposal to ask for a single Roll-Out Plan for both gas and electricity (with separate Annual Milestones for gas and electricity)?**

EDF Energy supports this proposal. Our internal plans are already produced by fuel and so this does not create additional work.

We note that the milestones for the three sets of reporting: internal, DECC and Ofgem are slightly different when reporting separate fuels and combined profile.

- Internal milestones are set by meter installs and customer growth is included.
- DECC reporting is by attempted meter installations prior to all reasonable steps and no customer growth over time.
- Ofgem reporting is on the basis of portfolio percentage which has a SMETS meter installed.

These variations will result in divergences between the reports. We do not expect the differences to be significant but would note that this may prevent comparison of the reports. Our current assumption is that the Ofgem figures will be based upon the profile requested by DECC so both of these profiles will match, can be produced and signed off at the same time.

**Question 3: Do you agree with our proposals for which suppliers should be required to submit Roll-Out Plans?**

All suppliers have to meet the mandate and have plans in place to meet it and so should have a non-discriminatory approach to meeting the requirement.

**Question 4: Do you have any comments about our proposed definition of 'small supplier' in this context?**

EDF Energy does not believe that there should be any differentiation between suppliers when it comes to monitoring their plans and the ability to meet the mandate. All Suppliers have a common licence condition that they meet and we can see no reason for differentiating due to size. We would also highlight that there is an inconsistent approach

to the definition of a small supplier when it comes to smart metering. Under the SEC a large Supplier is any Supplier with more than 250,000 customers across both fuels; whilst for Supply Licence requirements a large Supplier is defined as having more than 250,000 customers in one fuel. It is not clear why there is such inconsistency.

**Question 5: Do you agree that suppliers should submit their first mandatory Roll-Out Plan in January 2016?**

2016 is appropriate based on DECC's current plan and the expected delivery of the key enablers prior to 2016. However, we believe that the date of the first mandatory roll-out plan should be open to be reviewed if key enablers for the roll-out are not fully achieved, such as the DCC go live date is further extended or fully interoperable SMETS meters are not available in mass volume by the start of 2016.

EDF Energy has approached DECC about the possibility of moving the date for the submission of the annual report from large suppliers. The current timescales provide inadequate time to produce the cost and benefits for the DECC report and coincides with both a traditional holiday period and also year end reporting for companies who use a calendar year for accounting purposes. If the annual report submission is amended to February, we believe the timing of the Ofgem report should also be amended so as to maintain the link and synergies with the two reports.

**Question 6: Do you agree with our proposal to have a voluntary submission of Roll-Out Plans in 2015?**

EDF Energy supports the opportunity and currently intends to provide a report in 2015 on a voluntary basis. We do not believe it would be appropriate to publish the data on our website as it a learning exercise and there are many key industry milestones in 2015 which may alter our profile, such as the timing for SMETS 2 availability and DCC testing. Therefore, any data submitted is likely to be of limited value and may provide an incorrect impression if published.

**Question 7: Do you agree with our proposals to increase the tolerances on the Annual Milestones at the end of 2016 and 2017 to 10% respectively? Please provide evidence to support your view.**

EDF Energy welcomes the reduction in the targets for 2016 and 2017. As previously noted we believe the submission of the first annual report should be dependent on the delivery of the key enablers which are required to optimise the smart metering roll-out. If Suppliers are required to submit an annual report prior to the key enablers being delivered additional mitigation in the 2016 target should be provided. Suppliers roll-out profiles will be dependent on the delivery of these key enablers, and holding Suppliers to roll-out plans that are dependent on the delivery of factors that are outside of their control would not appear beneficial to either Suppliers or Ofgem.

We also believe that the targets for 2018 and 2019 should be 90% as well. It is likely that the early years of the programme smart meters are rolled out to customers who are proactively engaged or do not require a technical solution for their smart meter installation. Our experience of the AMR roll-out which is underpinning our expectations for the smart metering roll-out is that more challenging sites and customers will be encountered towards the end of the roll-out period. This will make forecasting harder as less engaged customers and more technically challenging installations are attempted

Finally, we would note that when submitting a roll-out plan to Ofgem, Suppliers will run the risk that they gain a significant volume of customers within year who do not have a SMETS meter installed, driven by tariff or service offerings. This could lead Suppliers to being non-compliant with their roll-out milestones that they will have little control over. We would therefore welcome clarity as to how Ofgem would approach this.

**Question 8: Do you agree with our proposal to require suppliers to publish their Annual Milestones on their website?**

We support the idea of publishing the annual milestones on our website with the option of choosing to also add a narrative with the same themes as the one provided to Ofgem. We believe that this promotes openness and trust with our customers; but this should not include the submission relating to 2015 given that it is a learning exercise and there is a significant volume of industry deliverables in 2015 which would alter our plans.

**Question 9: Do you agree with our proposal to require suppliers to publish updated Annual Milestones on their website alongside their original series of Annual Milestones?**

We support the idea of publishing the annual milestones on our website alongside our original series of annual milestones with the option of choosing to add a narrative with the same themes as the one provided to Ofgem as it promotes openness and trust with our customers. The publishing of data does not include the submission relating to 2015 given it's a learning exercise outside of the mass roll-out period and amount of industry deliverables in 2015 which could alter our plans stated at the start of the year.

**Question 10: Do you agree with our proposals relating to the re-submission of Roll-Out Plans?**

We support the proposals to re-submit the roll-out plans on an annual basis. As Suppliers progress through the roll-out our understanding of what works will develop, impacting on our plans. The ability to re-submit plans will ensure we are able to provide Ofgem with our most up to date views and expectations. We also believe that it would be appropriate to enable Suppliers to submit a new profile at the start of 2019. Experience of the AMR roll-out has identified that our roll-out plans need updating every year as we encounter less engaged customers and more challenging installations in the roll-out.

Between April and October 2012 EDF Energy added 150,000 customers to its accounts in addition to standard churn within that period. Should we gain similar volumes in 2018 when we are winning and losing smart metered accounts an extra submission would be needed in 2019 if we are expected to be within the stated accuracy for that year.

Ofgem discretion to provide additional roll-out profiles in exceptional and unforeseeable circumstances appears acceptable; however, we believe that this should include re-submission for any issues that are outside of a Suppliers control. This would include issues such as technical challenges, WAN coverage provided by the CSP or as a result of an unexpected public backlash against smart meters. This would ensure Suppliers are held accountable for delivering what is within their control, whilst ensuring Suppliers are not penalised for actions have no bearing on.

**Question 11: Do you have any other comments on issues relating to suppliers' Roll-Out Plans?**

We do not have further issues or comments at this time

**Supplier Progress Reports**

**Question 1: Do you agree with the proposed content of suppliers' Progress Reports?**

We agree with the proposal for the content of the supplier's Progress Reports.

**Question 2: Do you agree with the timing of submission for suppliers' Progress Report?**

There is a significant volume of reporting required from Suppliers at the start of the year, creating significant peaks and troughs and creating issues with internal resource management. We recognise that there is a value in submitting the Progress Report at a similar time to the annual milestones, but do not believe that the case has been made for the two reports to be submitted at the same time. We believe that there would be value in amending the submission of the Progress Reports to February each year. This will enable improved utilisation of the key reporting teams within the business.

**Question 3: Do you agree with our proposal to have a voluntary submission of suppliers' Progress Reports in January 2016?**

We support the proposal to have a voluntary submission of the suppliers' Progress Reports in 2016, although we do not agree with the report being published. 2015 is a period of delivery for many of the key enablers of the programme and these will have a large impact on our ability to deliver to our plan during 2015.

We believe the voluntary submission should be in February 2016. It is not clear that there is a case for submission of reports in January which coincides with the traditional holiday

period and a significant volume of internal and external reporting around smart metering and the financial year end.

**Question 4: Do you agree with our proposals in relation to publication of information from suppliers' Progress Reports?**

We support the idea of publishing the progress reports on our website alongside the original series of annual milestones with the option of choosing to add a narrative with the same themes as the one provided to Ofgem. This promotes openness and trust with our customers. However, this does not include the submission relating to 2015 given that it is a learning exercise and the amount of industry deliverables in 2015 which would alter our plans in flight.

**Question 5: Do you have any other comments on issues relating to suppliers' Progress Reports?**

We do not have further issues or comments at this time

**EDF Energy**  
**October 2013**