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Dear David

Competition in Electricity Metering Services, Industry Guidance – V1.1

I would like to comment on your helpful document, which provides some timely guidance for the industry, however there a few points that I would like to make, particularly in respect of smart metering, as follows:-

1. You are understandably concerned whether a supplier had taken actions that significantly raised the costs of supply for other licensees. An example of such action is if the outgoing supplier or any third party enters into unduly expensive contracts with incoming suppliers for metering provision. In considering whether any charges for the meter are such that they do not restrict, distort or prevent competition Ofgem would have regard to, among other things, compensating customer benefits provided by the metering equipment, the technical specification of the metering equipment and whether there is bulk provision which may give rise to economies of scale. It may be relevant to take into account the age and condition of the metering equipment. The charges should be transparent and meter asset provision should not be bundled other metering activities, if not required by the incoming supplier.

Clearly smart metering will be more expensive than traditional metering, however the more expensive capital cost is justified by the reduction in the suppliers' back office costs. In addition such metering can provide customers with benefits such as better information and additional features, for example, secure payment from the home. Thus it would be clearer if an additional provision were to be added to the compensating factors given, along the lines of "the likely cost reductions available to the supplier from the advanced features of the metering system".

2. Ofgem would also expect the process for transferring ownership of the meter should not require the incoming supplier to make significant changes to his systems.

For suppliers to fully benefit from all the cost savings that smart metering can provide them, then they will need to make some changes to their systems. However the extent of these changes, depend on a supplier's particular system and the desire to integrate with the smart metering system. Thus it would be helpful for Ofgem to add "this does not preclude suppliers making changes to their systems in order to take advantage of the advanced facilities available from smart metering".

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3. Ofgem states that contracts for the provision of metering equipment must not unduly lock in the incoming supplier. If the incoming supplier wishes to de-appoint the licensee as provider of their metering equipment then any penalties for so doing should not be unreasonable, having regard to the value of that metering equipment.

Whilst this does not preclude the widespread adoption of smart metering, it may be used as an excuse for an agent and or supplier not to use, or invest in smart metering. Therefore it would be helpful for Ofgem to state that the need to use special systems to make full benefits of the smart metering facilities would not be anti competitive, unless it were deliberately designed to be so.

I hope that these comments are helpful, if you require any elaboration please contact me

Yours sincerely

John Stanton

Commercial Manager