

Declaration of interest

Siemens Energy Services (SESL) is a competitive provider of a wide range of metering services to the utilities industry covering Asset Provision, Asset Maintenance (Meter Work) and Asset Management, Data Retrieval, Data Processing and Data Aggregation, Prepay, Revenue Protection and Debt Recovery. SESL is wholly owned by Siemens PLC; its turnover in the UK is about £100m and its headquarters are in Nottingham.

1. Creating and sustaining competition

Q1 Does this theme remain valid?

SESL believes this theme does remain valid. Re section 1.4 with special reference to retail markets, SESL believes that significant further value could be gained by identifying key competition enablers as a means of ensuring that competition remains open. For example SESL believes that clear business separation between the *providers* of residential energy consumption data and the *users* of this information is a prerequisite for vigorous competition. SESL perceives a clear and unacceptable conflict of interest in expecting Supplier/DNO groups to provide such information to competing groups on the same basis that they do so internally.

Q2 Have we identified all the relevant issues within the theme?

Re section 1.14, SESL believes that the lack of innovation in Metering is due to inherent conflicts of interest within vertically-integrated organizations. In regions where the DNO is a sister company to the dominant Supplier, it is not in the parent group's commercial interest to implement schemes which facilitate competition, because they stand to lose more consumers than they gain. The stronger the dominance, the higher the risk becomes of net loss. Since 2000, tens of millions of pounds have already been invested in trials of smart schemes, mostly by manufactures and system builders, but these have not been taken up because the benefits of the schemes do not accrue to the investors who take the risk.

SESL believes that conditions should be created where the investor in improved consumer service solutions *benefits* from raised levels of market competition. This could be achieved with:

Total separation between providers of competition enablers (eg metering) and energy suppliers

Clear guidelines on adopting newly installed solutions by suppliers as and when such solutions are encountered due to customer churn.

Q3 Is Ofgem's approach to the challenges ahead the right one?

SESL believes that Ofgem's general approach of increased reliance on competition is the right one, but that for this to be successful Ofgem should devote attention to the enablers of competition, and in particular it should strongly reinforce previous policy on separation of Supply, Distribution and Metering interests as outlined above.

2. Regulating network monopolies

Q1 Does this theme remain valid?

SESL believes this theme does remain valid. With particular reference to sections 2.3 and 2.6 SESL believes that Ofgem should take a minimalist view of the scope of regulation over distribution interests. However SESL would argue that there should

be clear separation between the regulated and competitive domains, and that regulated businesses should provide only regulated services. Regulated businesses inevitably stifle all competition in neighbouring applications if they are allowed to extract synergy from their incumbent activities.

Q2 Have we identified all the relevant issues within the theme?

SESL has no additional comment in this area.

Q3 Is Ofgem's approach to the challenges ahead the right one?

SESL has no additional comment in this area.

3. Helping protect the security of Britain's energy supplies

Q1 Does this theme remain valid?

Q2 Have we identified all the relevant issues within the theme?

Q3 Is Ofgem's approach to the challenges ahead the right one?

SESL has no additional comment in this area.

4. A leading voice in Europe

Q1 Does this theme remain valid?

SESL believes this theme does remain valid. It is SESL's perception that UK markets have opened more rapidly than most other European markets and that this has led to a situation where non-UK companies have been able to secure business in UK while UK companies have not been able to respond in other parts of Europe. SESL believes that Ofgem can lead the drive for the opening of all EU markets and that success in this area would be of considerable benefit to the UK energy industry.

5. Helping to protect the environment

Q1 Does this theme remain valid?

Q2 Have we identified all the relevant issues within the theme?

Q3 Is Ofgem's approach to the challenges ahead the right one?

SESL has no additional comment in this area

6. Helping to tackle fuel poverty

Q1 Does this theme remain valid?

SESL believes this theme does remain valid. SESL's experience of fuel poverty arises mainly from prepayment metering applications. It is SESL's belief that service standards in this segment are generally high, especially in gas, and customer satisfaction is also high. There remains a long-standing problem, however, with the cost of prepayment meters. SESL believes that the new generation of smart metering can reduce these costs by 40% while maintaining the same standard of service.

Q2 Have we identified all the relevant issues within the theme?

SESL has no additional comment in this area

Q3 Is Ofgem's approach to the challenges ahead the right one?

SESL has no additional comment in this area

7. Better regulation/improving Ofgem's efficiency and effectiveness

Q1 Does this theme remain valid?

Q2 Have we identified all the relevant issues within the theme?
Q3 Is Ofgem's approach to the challenges ahead the right one?
SESL has no additional comment in this area.