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Dear Emma

Review of Current Metering Arrangements

1. Thank you for your letter dated 01 April 2010, regarding the proposed review of metering arrangements. E.ON welcomes the opportunity to provide input and looks forward to working with you as the review progresses.
2. You requested views on the issues raised in your letter. We set out below our thoughts on these and some other areas where we feel action is required in order to ensure that metering arrangements in future, will be fit and ready for the day to day operation of smart meters.
3. With the Ofgem smart implementation programme already underway it would be very helpful if you could confirm as soon as possible, how these two areas of work will be coordinated.

Vertical Integration

4. E.ON took the opportunity afforded to us by the withdrawal from metering of Central Networks to include metering services within a new business, E.ON Energy Services Limited, to provide metering services to all suppliers in the east and west Central Networks regions.

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5. We have since expanded our meter operation activity into the Norweb and Swalec regions. We offer and provide services to large and small suppliers alike.
6. We also currently provide gas metering services (meter asset provision and maintenance) in the Norweb, East Mids and Midlands regions.
7. As a supplier we take gas and electricity metering services (meter asset provision & meter operations/meter maintenance) out of area (i.e. that are not serviced by our in house metering company) from traditional incumbent service providers.
8. We have experienced problems with services from independent gas transporters (see Para 23).

Current Framework

9. Your letter states that the rules under which the market operates may be reviewed to assess customer protection in terms of cost, accuracy and quality of service. We expect that the "prospectus" due to be published by Ofgem will define the market design to a more granular level of detail and we therefore expect that all current rules, codes of practices and industry protocols for both fuels will be assessed as "fit for purpose" in the new smart metering world.
10. In carrying out any review we would draw attention to existing obligations for suppliers to carry out meter safety inspections every two years. The continuance of this obligation post smart roll out will impinge supplier's ability to fully realise costs savings from the cessation of traditional meter reading activities as reflected in the Impact Assessment. We believe the information available from smart meters will substantially reduce the need for these visits.
11. In addition, we also request that the existing policy on recertification for electricity and policy exchanges for gas are reviewed to ensure the most cost effective practices are in place prior to the start of any major smart meter roll out programme. We welcome the recent letter from the National Measurements Office that invites discussion in this area.
12. Our experience of the current metering market and framework under which we both provide and receive

services is not good. The existing arrangements do not make for a good customer experience particularly on change of supplier and change of meter. Existing industry processes are very complex and involve a large number of hand-offs between many different market participants. Lack of data consistency can also lead to process delays which can affect billing, change of supplier experience and accuracy of settlement. It is our view that a rationalisation of these processes is essential to the successful roll out of smart meters.

13. Our recent experience of trialling smart meters has shown that we cannot obtain the full benefit from the installed smart meter immediately due to failure within existing processes. The current framework is therefore a barrier to the full realisation of the governments benefits identified in the recent regulatory Impact Assessment for smart metering. We are engaging with the Ofgem Smart Metering Programme team on these issues

14. We are firmly of the view that current standards of service are driven by legacy systems and processes requiring, in many cases, overnight batch processing to be undertaken which inherently builds delay into the process. We see in future that smart metering can provide real time information for the industry raising service standards and providing an opportunity to change and improve service quality for all customers. The current framework separates electricity and gas processes. A substantial proportion of the market is now dual fuel and a review should seek to align the energy processes to improve customer experience.

Interoperability

15. Achieving both technical and commercial interoperability is crucial to the success of the roll out of smart metering and its ongoing operation in a competitive supply market.

16. Technical interoperability we believe will be delivered under the programme through definition of metering and communication standards and minimum functionality requirements.

17. Ofgem is correct to consider the area of commercial interoperability under this review. It is important that meters remain "on the wall" at change of supply events in order that confidence to invest in new technology is provided to meter asset providers and that the competitive energy supply market is secured for the future.
18. To date, agreeing commercial terms in both the smart and non smart sectors has proved difficult. Our experience is that meter asset providers treat the installation, asset and (for AMR/Smart meters), communication costs in different ways which means suppliers are unclear at change of supply what they are paying with regards to asset rental and ongoing meter operator services.
19. We suggest that Ofgem looks at the development of industry guidelines particularly on amortisation of asset installation which will help alleviate many of the issues experienced with agreeing commercial "meter churn" agreements.

Stranding

20. The mandation of smart metering results in the wholesale change of c.48m gas and electricity metering assets over a restricted period between now and 2020.
21. We request for a review of the position taken by Ofgem with regards to meter stranding. In the absence of any fair and equitable arrangements, meter asset providers will in future, simply build in such risks into the ongoing cost of meter rental resulting in higher prices for all.

Gas Metering

22. We note that Ofgem intends to review the ongoing obligation on gas distribution companies to provide meter asset provision and maintenance services at the conclusion of the competition act investigation into National Grid.
23. We request as part of this review that the role of Independent Gas Transporters (IGT's) play in the metering market should be reviewed. In our experience

there is no ability to appoint up front a meter service provider of the supplier's choice when making a connection to an IGT site.

24. In addition, IGT's appear to regard themselves outside the RGMA processes which results in many manual processes and workarounds being developed to manage meter installations and exchanges on IGT networks.
25. We have only very recently been able to find a service provider willing to install prepayment meters to IGT metered premises.
26. We therefore request that the review looks carefully at the way IGT's conduct themselves in the metering market and how and what suppliers receive from IGT's with regards to metering services on their networks..

Early Smart Installs

27. There may be some significant trialling undertaken by most if not all supply businesses over the next 1-2 years. This will include testing the operation of meters in the field, back office systems and I.T. infrastructures.
28. In carrying out these necessary trials and tests meter asset providers and suppliers need some confidence that the assets they trial will remain installed for a reasonable period of time in order that some of the costs can be recovered. We believe a decision now to adopt a modular design for meter build separating communication and metrology will be a major step forward in this regard. In addition an early decision on the functional specification is important to minimise the risk of future stranding.

Yours sincerely

Steve James
Smart Metering Development Manager