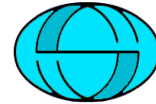


30/06/2010



To : **Emma Kelso**
Head of Retail Markets
GB Markets
Ofgem

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Dear Emma,

Re: Review of Current Metering Arrangements – 1 April 2010 launch

Salient Systems Limited (SSL) are happy to take this opportunity to respond to your invitation to provide our general views at this time upon the proposed scope and particular issues to be addressed within your 'Review of Current Metering Arrangements'. Our comments here are by no means confidential, please feel free to discuss or disseminate them as you see fit.

SSL are a software product solutions and consultancy company operating in the UK and totally focused upon the delivery of business solutions to the Utilities market space. Our fully automated NHHDC, NHHMO industry qualified solutions and our RMS metering work management and field service system solution are in place at significant agent providers of metering services to their Supplier and SME/I&C clients. At the outset, then, SSL declare an interest in supporting any initiatives that will result in securing and encouraging competition across as rich a landscape as possible of both mature and emerging metering services organisations in the UK.

We note particularly within your description of the focus of your review the desire to help inform the design aspects of the smart metering implementation programme.

Our overriding observations concerning the evolution to date and the prospects in the future for organisations delivering metering services lead us to conclude that commercial drivers have and will continue to be the final arbiters of both the positioning of functional metering business units (vertically aligned, independent) and of the required service models that must be in play. We recognise and support the role of Ofgem, through regulated mechanisms, to encourage competitive service delivery initiatives while assuring consistency across market processes and appropriate balance and fairness across competing stakeholders.

However, we note with concern that Smart rollout published plans have paid scant attention, in our view, to consequent impacts upon metering competition nor to the impacts of current and likely future evolutions and availability of metering services in the market upon Smart rollouts and supporting architectures – collisions here are a two way street. We also note your possible lack of appropriate emphasis upon evaluation of Consumer related benefits, or otherwise, within this review. The consumer will pay the bill at the end of the day and we expect that the voice of the consumer as key stakeholder will rise in volume exponentially as Smart is realised and the

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consumer becomes savvy, bombarded as they will no doubt be by the multitude of market players offering a burgeoning array of energy and integrated home related devices and services.

Despite a level of pessimism that undoubtedly exists in the market today regarding the impact upon metering competition of Smart rollout and Supplier entrenchment of metering related activities we continue to maintain a more positive view here. As long as Ofgem exercise their role effectively in a way that does not impede the development of radically new business models that incorporate independent cost effective metering services alongside the range of additional Smart enabled and unbiased consumer related services then both metering services and wider energy supply competition will be reinforced.

We note that commercial drivers, as anticipated, around deployment of Smart are already in full flow irrespective of the state of play regarding scope definition, design and development of proposed Smart central supporting infrastructure. We are also aware of radically new and existing legislation compliant consumer focused business and service models under construction that will test Ofgem commitments to competition across the board and in all seriousness. We are hopeful that your review and conclusions will be completed without delay in order to reduce the risk of storing up problems for the future unravelling inconsistencies that will undoubtedly arise in the absence of clarity.

SSL look forward to any further opportunity to comment in detail upon questions raised during this review and suggest the inclusion of a wider review of Supplier Hub arrangements as a critical precursor to impact analysis of attractive business models going forward.

Review here must extend beyond any observations related solely to performance of existing Supplier Hub arrangements but must test and challenge the role, responsibility and authority assumptions in play and contrast the current assumptions against the actual model required in order to accommodate consumer stakeholder objectives into the mix - in line perhaps with the actual arrangements that are evidenced in practice in the SME/I&C sector.

Additionally, the role of MAP going forward is considered a key enabler of Smart rollout objectives. Role responsibilities here would be usefully tested in the review, particularly related to desired scope of contribution by MAP role to assurance of interoperability objectives and illumination of the role relationships that implicitly exist between MAP and the consumer, who pays indirectly for deployment of the meter asset.

Yours sincerely,

Dermot Hearty

Director

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