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14 February 2011

Dear Steve,


**Review of Metering Arrangements – Initial Findings and consultation on proposed metering industry remedies**

Thank you for the opportunity to comment on the proposed metering industry remedies, as set out in your consultation dated 17 December 2010.

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 my colleague Paul Delamare on 07875 112317, or myself.

Yours sincerely,



**Denis Linford**  
Corporate Policy and Regulation Director

## **Attachment**

### **Review of Metering Arrangements – Initial Findings and consultation on proposed metering industry remedies**

#### **EDF Energy response to your questions**

##### **1. Introduction to the Metering Market**

###### **Question 1: Do you have any views on our assessment of the current arrangements for the gas and electricity metering markets?**

In general the overall assessment of the current metering arrangements in electricity is accurate; however the differences between IGT and GDN obligations has not been identified or taken into consideration within the gas market. IGTs have been able to dictate terms on metering arrangements and do not have the capability of offering prepayment metering easily on their networks.

From our experience meter asset providers are showing reluctance to contract for dumb metering provision unless the supplier takes on the risk of stranded assets within the terms of their contract, giving them the right to place early terminations charges for removed assets. This movement will have a detrimental effect on the cost of switching to Smart Metering.

Paragraph 1.13 suggests the quickest way to achieve competition is through transfer of installed meters from regulated to competitive ownership, but identifies the potential distortions caused by the coexistence of regulated and competitive meter ownership. We note that regulated asset ownership for Smart Metering would remove the potential for such inconsistencies going forward. Existing MAMs and MOPs could compete, as now, to provide the best and cheapest metering service to the customer via the Supplier.

We do recommend splitting bundled P&M functions as described above, to enable a level playing field in asset provision. All parties could then compete on equal terms for competitive meter services.

We note that 78% of existing gas meters are provided for through a regulated arrangement. We believe the above arrangements would achieve Ofgem's aims (listed in paragraph 1.21), and above all provide the cheapest and best service to consumers.

We do agree the need for price controls to reflect the shorter asset life and increased costs for new and replacement meters due to the Smart Meter rollout. We believe governance of the introduction of Smart Meters should fall under the Smart Energy Code (SEC).

## **2. Consumer Protection, Commercial Interoperability and Metering Agents**

### **Consumer Protection**

#### **Question 1: Do you have any views on our assessment of consumer protection?**

We agree that the provision of electricity metering services has been maintained and improved up to now. We can confirm EDF Energy does not cross subsidise legacy and new & replacement electricity metering.

In response to the Smart Meter roll out, the strategic decisions of metering service providers could affect the availability of service providers offering dumb metering services in the future. We believe the availability will diminish leading up to the Smart Meter rollout and therefore needs to be taken into consideration. This may start to affect the levels of service currently experienced by consumers and increase costs to Suppliers due to reduced competition in the current dumb meter market.

We note Ofgem's view that the best way to facilitate value and choice for consumers is by ensuring all Suppliers have effective access to metering services on competitive terms. We agree, and note that regulated asset ownership and allowing MOPs and MAMs to compete for metering services would provide effective access to all Suppliers as outlined above. Additionally, this will remove the burden of managing a multitude of different asset provision contracts on Change of Supply (CoS). Asset Provision contracts will need to be continually monitored to ensure any changes imposed are taken into account before the Meter Asset Provider (MAP) can be appointed. Suppliers would also need to continually monitor all deemed contracts, where the contract terms are imposed by default. Clearly, this could have a negative effect on the CoS process, potentially leading to a delay in appointing the appropriate agent. We note this is in direct contrast to the requirements of the EU Third Package, where CoS is anticipated to complete in three weeks.

Further, we note that regulated asset provision in the current market is cheaper than charges imposed by commercial agents, and therefore believe competition in asset provision has had a detrimental effect on costs borne by consumers. We cannot comment conclusively on asset provision charges by iGTs where they provide a bundled service, but note the overall charges are very high with little or no consumer protection available.

### **Commercial Interoperability**

#### **Question 2: Do you have any views on our assessment of commercial interoperability?**

EDF Energy agrees with Ofgem's view in paragraph 2.21 that meters should not be exchanged on CoS. Exchanging meters on CoS would lead to a negative customer experience, strand assets unnecessarily and possibly inhibit Supply competition. We also agree Commercial Interoperability (CI) arrangements must be sufficiently effective to avoid meter exchanges on CoS.

We also agree Suppliers should pay lower up front costs (i.e. Suppliers pay higher rental charges over the meter lifetime), to ensure installation / maintenance charges are fairly spread across all Suppliers for the life of the assets.

We do not see how transparent information flows will alone resolve the need to exchange meters on CoS. Advance knowledge (i.e. it is cheaper to install another meter) that the commercial terms are not acceptable will not resolve the issue. To provide the best deal for the customer would require replacement in this scenario as a better deal could be obtained from a competitor but would require that competitor to replace the existing meter.

It could be argued that in this scenario Competition is actually achieved by the replacement of the asset, since where MAPs are continually having their assets replaced due to high charges / unreasonable contract terms, they maybe less likely to charge inflated prices and/or prescribe unreasonable terms. However, we note this leads to a negative customer experience on CoS due to the need to replace the meter as part of moving to a more competitive deal and the potential to inhibit Supply competition since a customer may not want their meter exchanged on CoS.

Consideration should also be given to the negative impact on sustainability and the carbon foot print where assets are unnecessarily exchanged.

We consider that standardised commercial terms and potentially the capping of transactional and provision charges (or some type of reasonable clause) are necessary to achieve commercial interoperability. EDF Energy believes the issue remains the same for dumb meters and therefore believe the same arrangements should apply.

We agree the need for an automatic means of switching metering contracts, and believe it is essential now as well as for the enduring Smart Metering arrangements. However, we believe this will not resolve issues around CI where individual parties are still responsible for provision of contracts on CoS. A standard contract structure and caps on charges to ensure reasonable terms would resolve this.

We note that if a regulatory framework is employed, as envisaged in the Prospectus through the SEC, then these issues would not exist, since the contractual arrangements for asset provision could be managed centrally with all the synergies described earlier.

We note current arrangements for advanced metering does not address CI in the market today. We need to ensure CI is achieved as soon as is practical.

Alternatively, reasonable CI arrangements could be defined and the obligation placed directly on the parties providing the service (MOP's and MAM's) through the relevant channels (Meter Operator Code of Practice Agreement (MOCOPA)/ Meter Asset Managers Code of Practice (MAMCoP). Where the obligation is placed on the Supplier, it is unlikely Suppliers will be able to force agents to agree reasonable commercial terms, particularly in cases where an agent has agreed an exclusive contract with another Supplier.

**Question 3: Please provide any evidence you have of meters that were removed unnecessarily due to incompatible commercial arrangements.**

EDF Energy has always attempted to ensure that as long as the meter installed at a consumers premise is fit for purpose we will contract with the associated MAP. Up to the end of 2010, this has been maintained in both Gas and Electricity.

However, as a direct result of British Gas bringing their Metering services in-house and not offering their services to incoming Suppliers, we have a small number of sites where we are still trying to put in place arrangements. To date, despite best endeavours, we have so far been unable to come to a commercial agreement with a MAM to support these meters, mainly due to the reluctance of the MAP to support our preferred contract terms with our agents. We look to put in place reasonable charging structures without termination clauses in these agreements. In the event we cannot agree reasonable terms, EDF Energy has no option other than to replace those meters in order to fulfil our licence obligations, which has been the case on a number of occasions recently. Clearly, in cases where a dumb or Smart Meter is faulty, then we would replace the meter with a dumb meter. As part of our Smart rollout, we would potentially look to replace faulty meters with Smart meters, depending on our chosen rollout strategy.

**Question 4: What are your views on whether a single commercial model is needed? If so, is this something that industry should seek to develop?**

EDF Energy believes that a single commercial model for both dumb and smart metering would significantly reduce administrative costs for Suppliers and make cost comparison easier between competing offers.

However, agents will still require incentives to offer fair and reasonable terms where charges are shown to be excessive to avoid meter replacement on CoS. We believe this should apply to both smart and dumb metering.

This could be implemented with ease where one party is responsible for agreeing those terms with the various agents. We note that the regulated asset ownership approach would resolve this issue amongst others. If a regulated asset ownership approach is not adopted, then standardised commercial terms would be essential to protect consumers.

**Metering Agents**

**Question 5: Do you consider the implementation of UNC297 to have resolved issues relating to asset visibility in gas metering?**

EDF Energy notes that the Uniform Network Code (UNC) 297 will give visibility of the current Supplier, meter point and asset details to the current and previous registered **MAM** of the supply point.

MAP is defined in Gas and EDF Energy note that the new MAM is provided the MAP Id on CoS (ONDET flow). Further, EDF Energy note flows are defined for the new MAM to notify

the MAP of their appointment, together with the Supplier Id (optional). This will be mandated in June 2011. EDF Energy believes this resolves the issues relating to asset visibility in the short term.

EDF Energy believes these arrangements should be reviewed as part of the Smart Metering Implementation programme (SMIP) design stage, and potentially aligned with electricity arrangements where significant benefits are shown.

**Question 6: Are there any specific aspects of the Review of Gas Metering Arrangements, baseline data flows that you consider need to be reviewed?**

EDF Energy believes that the current baseline data flows are sufficient until the rollout of Smart Metering.

However, EDF Energy notes, as advised on previous occasions, that compliance to the RGMA baseline is in effect optional for MAMs due to the non-binding nature of compliance clauses <sup>1</sup> in the CoP. To resolve this, EDF Energy recommends the MAM CoP should be reviewed to mandate compliance to the RGMA baseline within the CoP.

Additionally, we believe iGTs should be mandated to comply with the RGMA Baseline processes and data flows, which is not currently the case.

Consideration of the MAP appointment process should be included as part of the SMIP, as described above.

### **3. Vertical Integration and Network Companies' Obligations**

**Question 1: Do you agree with our assessment that the MPOLR requirement remain with GDNs for dumb meters?**

Yes, due to the lack of CI in the existing market, EDF Energy has found difficulty in securing cost effective dumb metering services. Under these circumstances, the use of Gas Distribution Networks (GDNs) as last resort provider is unavoidable, and therefore the Meter Provider of Last Resort (MPOLR) requirement should remain with GDNs for dumb meters. Further, we cannot see a reason why this should not apply to Smart Meters where we envisage similar issues.

Where terms being offered commercially are unreasonable, we believe it is appropriate for the MPOLR obligation to apply, since the consumer will ultimately bear the unreasonable costs. However, we do accept Suppliers should be required to demonstrate that they have evaluated all available commercial routes before approaching a GDN for a meter. We do however perceive an administrative burden in having to ensure commercial terms have not

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<sup>1</sup> For example, Code of Practice for Gas MAM's paragraph 2.2 states "Work dataflows **should** conform to RGMA processes"; paragraph 7.2.2 states "MAMs **should** additionally **consider** the relevant information flows required under RGMA" etc.

changed with a Service Provider (SP) since the last CoS, which would be overly onerous and could stall the CoS process.

We believe a better approach to resolve the issue would be, as per our previous response on CI, a standard contract structure and caps on charges imposed directly on agents to ensure reasonable terms.

We note again that if a regulated asset ownership model was employed then these issues would be resolved, since all parties would be offered the same terms, providing a level-playing field between competitors and most importantly, the lowest cost to the consumer.

**Question 2: At what point of the Smart Meter rollout would be an appropriate time to remove the MPOLR obligation on GDNs?**

We believe the appropriate time to review the MPOLR arrangements would be once a clearly defined set of CI arrangements is in place for asset provision and maintenance, regardless of the meter type.

We note the insistence of some GDNs to not permit other meter operators work on their meters, and consider that if this was relaxed then arrangements would be easier to put in place for meter maintenance going forward.

**Question 3: We intend to place a Licence Condition on Suppliers for domestic credit meters (DCM) and pre payment meters (PPM) to ensure that MPOLR is only used in cases of genuine last resort. Do you consider this to be an appropriate solution to the apparent misuse of MPOLR?**

EDF Energy considers that regulated asset ownership would address issues relating to the apparent misuse of MPOLR.

If regulated asset ownership is not adopted, EDF Energy considers that robust CI arrangements would be essential and an obligation should be placed directly on the parties providing the service (through MOCOPA/MAMCoP). Where the obligation is placed on the Supplier, it is unlikely Suppliers will be able to force agents to agree reasonable commercial terms, particularly in cases where an agent has agreed an exclusive contract with another Supplier or is part of another Suppliers' organisation.

We believe that where a Supplier has made best endeavours to procure reasonable terms for asset provision and maintenance and has been unable to do so, this should be considered a genuine case for MPOLR. As previously advised, we do have concerns over the administrative burden in having to ensure commercial terms have not changed with a SP since the last CoS, which could be overly onerous and could ultimately delay the CoS process.

We also have concerns over the practicalities, timeliness and costs associated with proving genuine cases of last resort. Rules would need to be clearly defined; however this may

lead to a delay in the customer's supplies being reinstated, which we would want to avoid.

**Question 4: Small and/or out of area Suppliers have expressed concern regarding availability of dumb electricity meters. Are these concerns valid? If so, please explain (and quantify if possible).**

We have no experience of issues relating to electricity meter availability for provision in or out of area. However, the availability of effective, consistent, cost-effective and RGMA compliant MAM services for gas meters is of concern as described above.

**Question 5: Would a non-discrimination obligation on Suppliers be an appropriate response to concerns related to access to Smart Meters during the Smart Meter rollout? If so,**

EDF Energy considers that regulated asset ownership of Smart Meter would ensure efficient provision of Smart Meters at standardised charges for all Suppliers, thereby ensuring a level-playing field between all Suppliers regardless of size and historic customer base. We note that the risks for small Suppliers would likely be significantly lower under regulated asset ownership arrangements, depending on the exact approach taken.

Further, we note that this approach would be consistent with the arrangements for Smart Meter communication assets provision, where the Data Communication Company (DCC) will procure the data and communications facilities required to support Smart Metering, including the financing of the Wide Area Network (WAN) communications modules located at customer premises. It has been recognised that the sharing of these costs across all consumers will ensure a level-playing field for Suppliers and avoid distortions from differing costs to provision of smart communications that do not reflect differences in efficiency or innovation.

(As we indicated in our October 2010 response to the Prospectus, EDF Energy believes that WAN communications, including the WAN module in the home should be the responsibility of the DCC and its service providers. We believe that Suppliers should install the devices and provide an ongoing maintenance service, but that DCC should pay for installation, maintenance and replacement of the equipment required to facilitate communication with Smart Meters.)

In the same manner, regulated Smart Meter asset ownership would ensure a level-playing field for all Suppliers and avoid distortions arising from differing costs to install Smart Meters that do not reflect efficiencies and are instead driven by characteristics of Suppliers' existing customer bases, smaller numbers of customers (in the case of small Suppliers) and other factors.

If regulated asset ownership of Smart Meters is not adopted, then EDF Energy considers that robust commercial interoperability arrangements, including standardised commercial terms, are essential to protect Supplier competition and hence consumers.



EDF Energy considers that a non-discrimination obligation on Suppliers to offer Smart Metering services to other Suppliers is unnecessary and could instead result in harmful unintended consequences, especially if sufficient analysis is not undertaken before such an obligation is introduced.

EDF Energy, as a vertically integrated electricity Supplier <sup>2</sup>is currently intending to continue to offer all Suppliers a service offering for the installation of both smart and dumb electricity metering in-area, where this is commercially viable. However, we do not consider it appropriate in the context of a competitive energy Supply market, or in the interests of consumers, for Suppliers to be obliged to offer these services.

If an obligation to offer Smart Metering services is introduced, EDF Energy considers that this obligation should only be available to small Suppliers, who may lack sufficient numbers of customers in certain areas to negotiate commercially attractive terms for Smart Metering services<sup>3</sup>. We consider any such obligation should be limited to cases where small Suppliers genuinely face difficulties in negotiating Smart Metering services, and not comprise a blanket obligation to offer these services to small Suppliers.

However, offering such an obligation even for small Suppliers may introduce unintended consequences that may significantly increase costs for the overall programme, which would result in higher prices to consumers.

Consideration would need to be given as to how such an obligation would be imposed where the customer involved has different gas and electricity Suppliers, which would further complicate matters and potentially add costs which consumers would ultimately bear.

In the event EDF Energy were obliged to provide Smart Metering services to other Suppliers, we would expect to use existing resources which are based on the EDF Energy brand. Any obligation to change these existing arrangements, or to provide non-branded services, would incur additional costs which we would expect to recover from Suppliers requesting Smart Metering services, and hence would be recovered from consumers.

Where an obligation is imposed, we assume cost reflective terms would take account of situations where the Supplier does not operate in the requested area, which is likely to increase overall costs to the consumer.

Careful consideration would need to be given to the required levels of service associated with any obligation to provide Smart Metering services. EDF Energy, along with other Suppliers, would naturally be incentivised to comply with our commitments to rollout Smart Meters to our existing customers and it is not clear how competing demands from

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<sup>2</sup> Currently we only provide integrated Gas metering services for debt recovery purposes.

<sup>3</sup> We note that DECC's recent consultation on raising the threshold at which energy Suppliers are required to participate in DECC environmental and social programmes suggests that 100,000 customer accounts may be a suitable threshold for introducing these obligations. December 2010

other Suppliers would be prioritised. It is not clear how the opportunity cost of delaying the rollout of Smart Meters to a Supplier's own customers would be factored into charges levied on other Suppliers to facilitate rollout of Smart Meters to *their* customers. Any delay in a Supplier led rollout of Smart Meters to their customers would also delay the realisation of benefits from Smart Metering for the Supplier obliged to provide Smart Metering services, with a consequent negative financial impact.

Further, if Suppliers are mandated to achieve specific annual rollout targets or face penalties or sanctions, this may reduce their ability to provide (or increase the costs of providing) Smart Metering services to other Suppliers.

Any such obligation would also need to take account of cases where Suppliers only provide a subset of the services required by smaller Suppliers, and clearly define the relevant obligations in these cases (e.g. EDF Energy currently provide domestic gas metering services internally only for debt recovery purposes).

Further issues around the provision of differing and value-added services would need to be considered, with appropriate provisions included in the obligation. For example, a Supplier requesting Smart Metering services may require a differing quality of service or a different installation procedure than the Supplier providing Smart Metering services may be configured to deliver. The costs of adapting systems and processes to comply with the Supplier requesting services would need to be borne by that Supplier. This would result in a plethora of bilateral agreements between Suppliers to support an obligation to offer Smart Metering services. In addition, on CoS new arrangements would need to be agreed with the incoming Supplier. Cost-reflective charging for Smart Metering services would result in all incremental costs of complying with an obligation to provide Smart Metering services being recovered from Suppliers requiring these services.

The overall costs of administering the system required to support such an obligation may be substantial and may outweigh the benefits derived. We consider that Ofgem should undertake an Impact Assessment prior to reaching a decision on this matter.

One possible outcome of such an obligation could be that the Big 6 Suppliers undertake the majority of Smart Meter installations within their historic areas. This would bear some resemblance to a Network Operator-led rollout, but with significantly higher overall costs for consumers due to the complexity of administering such an arrangement.

**a) Would this obligation be better placed on the Big 6, or on all vertically integrated Suppliers?**

If a non-discrimination obligation to offer Smart Metering services is introduced, EDF Energy considers that this obligation should only be available to small Suppliers, who may lack sufficient numbers of customers in certain areas to negotiate commercially attractive

terms for Smart Metering services<sup>4</sup>. We consider any such obligation should be limited to cases where small Suppliers genuinely face difficulties in negotiating Smart Metering services, and not comprise a blanket obligation to offer these services to small Suppliers.

However, offering such an obligation even for small Suppliers may introduce unintended consequences that may significantly increase costs for the overall programme, which would result in higher prices to consumers.

If a non-discrimination obligation to offer Smart Metering services is introduced, EDF Energy considers the obligation should be placed on all vertically integrated Suppliers (to ensure that competitive services can be obtained from a variety of service providers in each region) and it should only be available to small Suppliers.

**b) Should the obligation comprise meter provision services; meter installation and maintenance services; or both?**

EDF Energy does not consider a non-discrimination obligation on Suppliers to be an appropriate response to concerns related to access to Smart Meters.

If such an obligation is introduced for the benefit of smaller Suppliers only, EDF Energy considers that the obligation should comprise meter installation and maintenance services only.

If the obligation was applied to asset provision, then the costs of financing significant numbers of additional meters might result in an unacceptable burden for some Suppliers. For example EDF Energy has just under forty five per cent of the electricity accounts in London. If all other Suppliers requested Smart Metering services from EDF Energy within the London area, this would entail a 125% increase in installation activity by EDF Energy, with no guarantee that similar levels of installations would be undertaken through reciprocal arrangements in other areas.

Additionally, if the obligation was applied for asset provision then vertically integrated suppliers may only be able to offer a basic meter without additional technology that the requesting supplier may choose to differentiate their customer offering.

Such an obligation may be appropriate in the context of a regulated entity or one who has a dominant position within a market. However, an obligation to undertake a key business activity for competitors - on the same cost basis - is completely at odds with the framework of the competitive Supply market.

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<sup>4</sup> We note that DECC's recent consultation on raising the threshold at which energy Suppliers are required to participate in DECC environmental and social programmes suggests that 100,000 customer accounts may be a suitable threshold for introducing these obligations. December 2010

### **c) Could such an obligation be overly burdensome?**

EDF Energy considers that such an obligation is not warranted or necessary and would likely be overly burdensome. However, if such an obligation is introduced, it should only be available to smaller Suppliers in limited circumstances and for a limited period of time.

The consequences of such an obligation on large or vertically-integrated Suppliers, needs to be carefully considered to avoid arrangements that significantly increase the overall cost of the Smart Metering rollout. It is not difficult to envisage a scenario where a party approaches another party for metering services, who then approaches another party and so on, ending with a daisy chain of responsibility for the metering service. This would very quickly become impossible to manage and result in added costs to all parties with no benefits.

Before any decision is made, EDF Energy recommends a thorough analysis of all the scenarios involved and an Impact Assessment are undertaken.

### **d) Should the obligation contain a sunset or review provision once the rollout of Smart Meters has been completed?**

If the obligation is put in place, then a provision for regular review should be included to ensure the obligation is not having an adverse effect on the market, competition and the overall costs of the Smart Metering programme.

### **Question 6: Are there any unintended consequences of introducing a non-discrimination obligation on Suppliers to offer metering services on equal terms; or consequences that we have not considered?**

As discussed above, EDF Energy considers there are a significant number of possible unintended consequences that may distort competition between Suppliers, create inefficiencies and increase overall costs to consumers.

### **Question 7: Do you consider a MPOLR is required for Smart Meters?**

As previously outlined, without robust arrangements for CI, and depending on the circumstances which prevail we believe there is a risk the same issues will apply in the Smart Metering rollout and therefore MPOLR is required.

## **4. Gas Metering Price Controls**

### **Question 1: Do you agree that legacy meters (credit and pre-payment) should remain under price control?**

The price control for legacy meters (credit and pre-payment) should remain in place in order to provide clarity of pricing for Suppliers and consumers leading up to smart roll out.

Where there is a decreased asset life and therefore a potential loss due to shorter a period ability to recover reasonable costs, the price control should take this into account.

**Question 2: What is the impact on customers if we reset price controls for:**

- a) PPM meters?**
- b) DCM meters?**

EDF Energy believes the impact is that due to the mandated rollout of Smart Meters within specific timescales, as opposed to at the end of the natural life of the meter, the metering costs will increase for both prepayment meter (PPM) and domestic credit meter (DCM) customers. Clearly, where a dumb meter is replaced before it is currently required to be replaced (e.g. before the policy replacement schedule), then there will be a loss in rental revenue which will need to be recovered.

**Question 3: We seek views on whether there is any advantage in setting a cost reflective price cap for new and replacement dumb meters, which also accounts for unnecessary meter replacement.**

In EDF Energy's experience we are seeing increased MAP charges for dumb metering because the expected life of any installed assets is decreasing. Setting a price cap that ensures that the MAP recovers the asset cost and a reasonable return on investment but not expected income over the whole life of the asset would alleviate the risk of overinflated meter rental pricing leading up to smart roll out.

**a) We are also interested to understand whether an allowance beyond a purely cost-reflective level would encourage competition?**

We believe that an allowance beyond a purely cost reflective amount in a diminishing market would increase competition but would likely increase the Suppliers' cost to serve which would have to be passed on to consumers.

**b) In the transition to Smart Metering, what consideration should be taken into account when setting a new price control tariff for dumb meters?**

EDF Energy believes price controls should not unduly impact vulnerable customers (those registered on the Priority Services Register), however the price control must ensure parties can recover their reasonable costs.

**Question 4: What is your view on the total costs for the provision of PPM and how they are passed onto customers?**

Commercial MAM's charge more for PPM meters than National Grid Metering. Meter Rental charges are smeared across all customers equally.

**Question 5: What are the likely tradeoffs between the implications for the price for providing PPMs, especially for vulnerable customer's verses the incentives for PPM smart rollout and cost reflectivity? For example, if we choose not to review the PPM tariff cap, would this weaken and slow the case for investing in smart PPMs?**

EDF Energy believes that the basic Smart Meter should have the capability of being both a prepayment/pay as you go meter and a credit meter which will mean that there is no additional investment on prepayment only meters for smart roll out. We believe that the only effect of removing the prepayment meter cap would be to increase costs to Suppliers now and these additional costs would be passed on to all customers.

Where the price differential between smart prepayment meters/dumb prepayment meters and smart credit meters/dumb credit meters is significantly lower for prepayment meters then we would likely target prepayment meters first to minimise overall investment in this area. However, EDF Energy's Smart Meter rollout policy is a complex area and would consider amongst other things the overall cost to serve the customer.

**Question 6: We are aware that National Grid Metering is renegotiating the MSA contracts.**

**a) Can you please indicate what your metering arrangements are likely to be going forward?**

Within the current climate of dwindling bundled MAM/MAP providers and the emergence of the Smart Metering market EDF Energy believes that the current dumb metering arrangements should be left in place until the smart market is established. Any changes now could lead to protracted negotiations on new terms and may in some regions within the UK make it difficult to find service providers offering cost effective services for a diminishing market.

This means Suppliers often have to contract with multiple service providers within regions being unable to offer consistent service levels and have system interoperability issues especially with IGTs.

EDF Energy believes that a clearly defined set of Commercial Interoperability arrangements are essential to the success of Smart Metering in GB, however the complexity and cost of attempting to implement such arrangements ahead of DCC may lead to an ineffective market and an unacceptable burden on industry to operate.

**EDF Energy  
February 2011**