

Q1: Do you have any comments on our proposed governance and management principles or on how they can best be delivered in the context of this programme?

British Gas is pleased that energy suppliers have now been given improved levels of access to the programme. The creation of an overall steering group that includes suppliers, and the establishment of industry work groups, provides a huge step forward in the delivery of smart metering.

We are, however, concerned at the lack of input from energy suppliers to the Customer Advisory and Data Privacy Groups. British Gas serves over sixteen million customers and manages extensive IS and data systems. We believe that British Gas, and other energy suppliers, can add a practical perspective to these groups. This will ensure that the policy that these groups develop is workable and more fully informed. We share a common objective with the existing members of these groups of building customer confidence in smart metering and would prefer this to be progressed collaboratively.

We are pleased with the structure of the work groups and the pace and urgency being demonstrated so far within them. However, we believe that within the sub groups more can be done to capture and record consensus. This will aid transparency and prevent duplication of debate. In addition we feel that that there is scope for Ofgem to take a more active role in chairing the meetings, this ensures that the meetings stay on topic and remain on track. We are also keen to see the mobilisation of the Industry Co-ordination Group. We believe that this should be used to allow industry to take a real leadership role in the delivery of the programme.

Q2: Are there other cross-cutting activities that the programme should undertake and, if so, why?

The cross-cutting activities identified by the Programme to date (consumer engagement, consumer protection, data privacy and security, stakeholder engagement and a review of the business case) are, we believe, sufficiently

broad to be able to pick up and manage new issues/activities as and when they arise.

There are, in addition, two existing activities which will need to be addressed by the Programme:

- **Project Nexus** – Xoserve's programme to replace core registration and settlement systems and services. This project can be utilised as an early delivery vehicle for aspects of the Smart Programme and should be harnessed to support this objective.
- **Significant Code Review (SCR) Smart Metering** – there will need to be close coordination between this work (on reform to the electricity and gas settlement arrangements) and the consideration of changes to the customers' switching process under the Smart Metering Programme.

Q3: Do you agree with our proposal for a staged approach to implementation, with the mandated rollout of smart meters starting before the mandated use of DCC for the domestic sector?

British Gas is fully supportive of the staged implementation strategy that is proposed.

It is imperative that we accelerate the rollout of smart metering in order to enable the delivery of the myriad of smart metering related benefits including those for consumers, suppliers, reduced carbon emissions, and improved security of supply. The proposed implementation approach delivers an earlier industry go-live date and accelerates the start of widespread deployment of smart meters by 2012.

Further, we need to ensure that the enduring design is fit-for-purpose. The existing industry arrangements are complex, unsatisfactory and result in additional costs to energy suppliers (and subsequently customers) with poor

levels of customer service. The role of the DCC is critical to the effectiveness of the ultimate industry design, with the scope of its functions and responsibilities a key driver to the degree of industry simplification and overall benefits that will be achieved. The staged implementation approach allows for a more radical redesign to be put in place subsequently.

In addition, the implementation approach allows for the enduring solution (that includes the DCC) to adopt or learn from some of the tactical smart metering infrastructure introduced as part of tactical solutions. This will augment the additional contribution to the IA made by earlier smart meter installations.

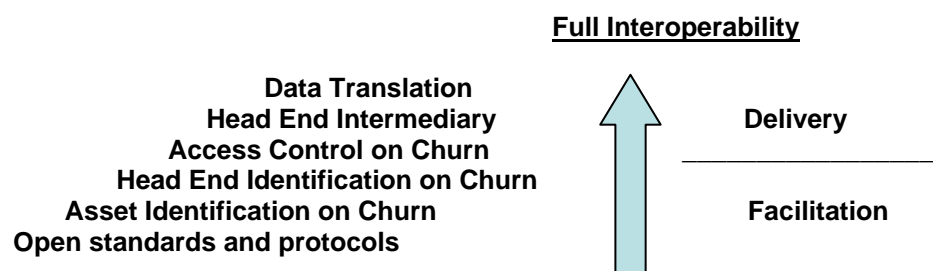
Q4: Do you have any comments on the risks we have identified for staged implementation and our proposals on how these could best be managed?

The proposal to allow the novation of communications contracts to the DCC is an appropriate enabling mechanism which we support. This facility will enable suppliers to enter into longer-term contracts which assist with benefit cases. This facility provides surety to both suppliers and communications service providers which should mitigate against the risks highlighted in section 5.11.

Interoperability arrangements to support those customers who change supplier in advance of the DCC services commencing, can be achieved relatively swiftly. We have carried out analysis on a range of options for interoperability and believe that there are two broad types of measures that can be taken. There are 'facilitation' measures, to make it technically possible for suppliers to operate smart metering systems that have been installed by others, e.g. the ability to identify that a meter has smart functionality. There are then delivery measures, e.g. suppliers being able to access data in a format of choice.

The schematic below illustrates this

IMPLEMENTATION STRATEGY



The value associated with each of the measures may be different supplier to supplier; this is a natural consequence of the differing stages suppliers have reached with their smart metering rollout programmes. There are differing levels of complexity associated with each, which will have a consequential impact on how suppliers assess them.

We have already evaluated a number of solutions for interoperability and have a set of principles which we used to support our assessment. For an interoperability option to be successful it will need to be quick to implement, easy to operationalise within suppliers' systems and processes, add economic value (e.g. cost less than replacing the meter) and not act as a distraction from the DCC. We will be utilising the analysis we have carried out to date to support further work at the ERA and at the Programme sub group on this topic.

British Gas has been active in promoting the use of open standards and protocols and the publication of our metering specification earlier this year is a tangible demonstration of our commitment to making progress in an open and interoperable way.

Q5: Do you have any other suggestions as to how the rollout could be brought forward, including the work to define technical specifications, which relies on industry input?

We believe that rollout can be accelerated and de-risked by a simple correction to the proposed regulatory architecture. Key to this is earlier commercial certainty regarding the meter to allow deployment of "compliant" meters to begin by 2012. This can be achieved by separating the issue of

interoperability from the delivery of the impact assessment benefits. Interoperability issues do not in any case impact customers that do not change supplier whereas acceleration of the delivery of smart meters can benefit all customers. This order of benefits for all versus potential and resolvable risks for some needs to be reflected in the regulatory architecture.

Immediately after this consultation it should be mandated that all meters must contain the “smart” functionality that is necessary to deliver the IA by a fixed point in time.

As an industry we have spent over 3 years considering smart metering requirements. We already have the Energy Retail Association Requirements, Energy Network Association Requirements and our own more detailed specification of requirements, all of which are well aligned. We should be able to use the work already done by industry to land on the meter functionality that is required before the end of the year.

Once the requirements of the meter have been identified industry should be able to take on the role of translating these in to a lower level meter specification. For example, BEAMA have already offered to undertake the development of the specification for the Home Area Network and Wide Area Network Communications, which form a detailed subset of the overall meter specification and are necessary for manufacture and interoperability.

The detailed design specification necessary to deliver interoperability should be set out subsequently and suppliers required to ensure that all meters to be installed after a set date comply with this specification.

This would allow energy suppliers to start mobilising their meter supply chain some 18 months sooner and reduce significant risk and cost from the programme.

We believe that progress could be accelerated by divorcing the issue of interoperability from the delivery of the impact assessment. The prospect of

falling foul of some technical detail, despite delivering all the necessary smart meter functions, deters investment because of the risk of stranding that it creates. So long as open standards and protocols are used by participants, interoperability can be achieved, albeit at a higher cost than via standardisation.

Interoperability has potential to impact only those customers that change supplier, and these impacts can be mitigated through interim arrangements. Acceleration of the delivery of smart meters benefits a far greater number of customers, and so should be the priority. This prioritisation needs to be reflected in the regulatory architecture. The functionality required to deliver the IA should be set out in the Licence immediately after the Q1 2011 decision; it should be mandated that all meters must contain this “smart” functionality. The detailed design specification necessary to deliver interoperability should be set out subsequently and suppliers required to ensure that all meters installed after a set date comply to this specification.

Q6: Do you agree with our planning assumption that a period of six months will be needed between the date when Supply Licence obligations mandating rollout are implemented and the date when they take effect?

Suppliers will need to mobilise their programmes well in advance of the Licence conditions coming into effect. British Gas started in 2008. Therefore the Programme can assist Suppliers by providing certainty on key areas earlier rather than later.

The intent is for mandated rollout to commence in 2012. It is to be hoped that all suppliers have already developed manpower plans to deliver this as, in our experience, the lead-times required to establish logistics, procurement, recruitment, training, testing, propositions, etc. must not be underestimated. They are certainly much greater than six months, as is the lead time to the production of meters from an agreed technical specification. However, within the context of having a plan with forward dates for each of the predecessors

to rollout, we think that the period of six months before the new Licence Conditions take effect is appropriate.

Q7: Do you have any comments on the activities, assumptions, timings and dependencies presented in the high-level implementation plan?

The Programme must be cautious of laggards stalling progress and causing slippage. There is significant experience from other industry programmes of individual market participants attempting to align industry implementation dates with their own internal change plans and system replacements.

We are supportive of the high level implementation plan as it provides a clear delivery route map that supports an accelerated rollout of smart metering. The activities and outputs presented are a reasonable indicator of the forward work plan for the programme. We agree with the dependencies presented in the plan.

We agree that there will need to be a period of testing and piloting prior to suppliers receiving an obligation to use DCC services. We also agree that there will need to be a ramp-up period before suppliers are able to reach their peak capability for rolling out smart meters.

There are some structural issues within the industry which will need to be resolved in advance of the DCC commencing service delivery, including for example the unbundling of metering on IGT networks.

Q8: Do you have any comments on the outputs identified for each of the phases of the programme?

The outputs for each phase of the programme have been well articulated and we are supportive of them.

Phase Two

IMPLEMENTATION STRATEGY

Consumer awareness - British Gas strongly supports harnessing the Green Deal as a powerful additional mechanism to deliver the Ofgem IA benefits. There are synergies which could be leveraged to enhance consumer awareness of energy efficiency and smart metering.

Phase Three

We are supportive of measures which will speed up the DCC Licence Application process, as the sooner the Licence can be granted the sooner procurement for DCC services can commence.