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Dear Margaret

**Response to Smart Metering Implementation Programme:
Prospectus**

ES Pipelines Ltd ('ESP') is an independent Gas Transporter, Meter Asset Manager and Meter Asset Provider. A number of the questions in Ofgem's Smart Metering Prospectus are of significant interest to us, and we would like to take the opportunity to respond to those particular areas in this letter. We trust you will find this information useful.

How can rollout be brought forward?

Bringing forward the rollout is achievable. One significant factor that has so far been overlooked in Ofgem's implementation programme is the benefit that can be realised by effectively targeting one specific market for meters: new housing.

iGTs are market leaders in providing meters at new housing developments. ESP strongly believes there are considerable benefits to be achieved by installing smart meters at new connections from the initial install. The current position is that hundreds of dumb meters are being installed weekly. These will be replaced in a few years, or perhaps even months, at such a point as the supplier rollout reaches those properties.

Targeting new housing connections allows a high number of installs to be done per visit, avoids the complication of ensuring end users are at home, and eliminates aborted visit costs. This represents a quick win in terms of front loading the identified consumer benefits of smart meters. The further advantage is the considerable saving in stranding costs further down the line as the number of young meters needing to be removed is limited.

How can this be achieved? Ultimately there is a requirement for increased co-operation between house builders, meter installers/owners and suppliers. In reality the best way to achieve this is for Ofgem to mandate, as part of its SMIP, that all new meter installs from (for example) mid 2011 must be smart installs.

Whilst some may regard a mandate for new connections to be extreme, ESP believes that such a mandate would encourage co-operation, resulting in a firming up of commercial arrangements and business processes, and alleviates the caution and uncertainty that is currently preventing smart meter installs at all new connections. In the absence of increased up-front co-ordination triggered by a mandate, installing smart meters on new housing developments is an expensive and risky practice.

Admittedly, the most significant risk here is that same as that which exists for any early smart installation. However, the risk of obsolescence can be limited or eliminated if discussion of this strategy is picked up alongside the ongoing work on ensuring the robustness of interim arrangements for supplier switching. In ESP's view, it is customer churn, rather than failure to meet final agreed technical specification, that represents the most likely reason for a meter to be removed. Part of these discussions should also centre on the possibility of installing smart meters 'in anticipation' of connection to the comms mechanisms at some point in the future, i.e. it may not be necessary for the meter installation and comms hookup to occur simultaneously at an initial install.

One further area that would require an additional process is ensuring that when the customer does move in to their new property, they receive adequate briefing on the benefits of their smart meter, since they were not present at install. Here, the supplier and developer could both play a role. The existence of a meter at the property before moving in would in theory create increased buy-in to smart metering, in comparison to the customer who must stay at home to facilitate a smart meter install two months after purchasing the property.

In conjunction with the above proposal for new housing, another way to speed up rollout would be to encourage existing meter owners to consider how they might be able to begin switching their own metering stock on a commercial basis. This would need to be in consultation with suppliers to avoid duplication of effort. This same effect can be achieved where the meter provider installs meters which are capable of taking a 'smart module', enabling a more efficient single visit to enable the comms capabilities of the in home equipment.

Rollout Strategy

ESP's notes that currently the customer is permitted to arrange the installation of a gas meter. This means that they may request a meter from their current (or other) meter provider, outside of their supplier's rollout programme. Usually of course the decision of meter provider defaults to the supplier in almost all cases, but it is worth being aware of the new housing developers' tendencies to choose the provider of their metering, in order that suppliers are geared up to accommodate their customers' requirements (where it is practical to do so).

Implementation Strategy

ESP supports the proposal for a staged approach. By mandating a rollout which is before the DCC start date, Ofgem is providing more certainty to an activity which would have been carried out by some or all suppliers regardless.

The risks identified by Ofgem are correct. However, there is not sufficient focus given to the risks associated with funding the (more expensive) smart meters at the early stages of the phased rollout. Without investors, the SMIP will not proceed. There is a clear need to expand the work on interim arrangements by sureing up what is a current assumption that meters should not be removed at customer transfer.

In summary, ESP believes that smart meters should be installed at all new housing connections as soon as the appropriate arrangements can be put in place. To facilitate this, additional discussions are required between Ofgem and the major stakeholders in the new installations market (this may include house builders). These discussions could take place as part of the work currently ongoing to agree interim arrangements (pre-DCC Go-Live). ESP would be very happy to be involved in these discussions. Universal installation of smart metering at new connections will prevent a significant amount of stranding cost to the industry, and will front-load an increased proportion of the customer-side benefits associated with early rollout. Smart meters can be rolled out at new housing with no disruption to end users; installations will be fast, flexible and cheap and installation techniques can be piloted on a controlled basis.

Importantly, this will require full co-operation between suppliers, their agents, and meter providers. In addition, the more assurance that can be provided to parties funding smart meters, the quicker these activities can and should commence.

Yours sincerely

