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28th September 2010

Dear Andrew,

Re: Ofgems Smart Metering Prospectus

Thank you for the opportunity to comment on Ofgems Smart Metering Prospectus. We are happy for our comments to be shared with other interested parties.

We welcome the open and inclusive approach taken by both DECC and Ofgem in engaging with the wider industry.

In particular we welcome the decision to recognise the inherent differences between the Domestic and Non Domestic markets and in particular the decisions: -

- To not require a valve on a non domestic site
- To not require an In Home Display (IHD) in a non domestic site
- To not require mandatory participation in the Data Communication Company (DCC) for non domestic sites

We have always believed that by not requiring the Valve, IHD and not mandating the DCC then the majority of equipment that is already deployed as AMR, Advanced Metering etc are compliant with the High Level functionality as set out (see figure 1 below)

Figure 1: DECC High Level Functionality

	High-level functionality	Electricity	Gas
A	Remote provision of accurate reads/information for defined time periods - delivery of information to customers, suppliers and other designated market organisation	✓	✓
B	Two way communications to the meter system <ul style="list-style-type: none"> communications between the meter and energy supplier or other designated market organisation upload and download data through a link to the wide area network, transfer data at defined periods, remote configuration and diagnostics, software and firmware changes 	✓	✓
C	Home area network based on open standards and protocols <ul style="list-style-type: none"> provide "real time" information to an in-home display enable other devices to link to the meter system 	✓	✓
D	Support for a range of time of use tariffs <ul style="list-style-type: none"> multiple registers within the meter for billing purposes 	✓	✓
E	Load management capability to deliver demand side management <ul style="list-style-type: none"> ability to remotely control electricity load for more sophisticated control of devices in the home 	✓	
F	Remote disablement and enablement of supply <ul style="list-style-type: none"> that will support remote switching between credit and prepayment modes 	✓	✓*
G	Exported electricity measurement <ul style="list-style-type: none"> measure net export 	✓	
H	Capacity to communicate with a measurement device within a microgenerator <ul style="list-style-type: none"> receive, store, communicate total generation for billing 	✓	

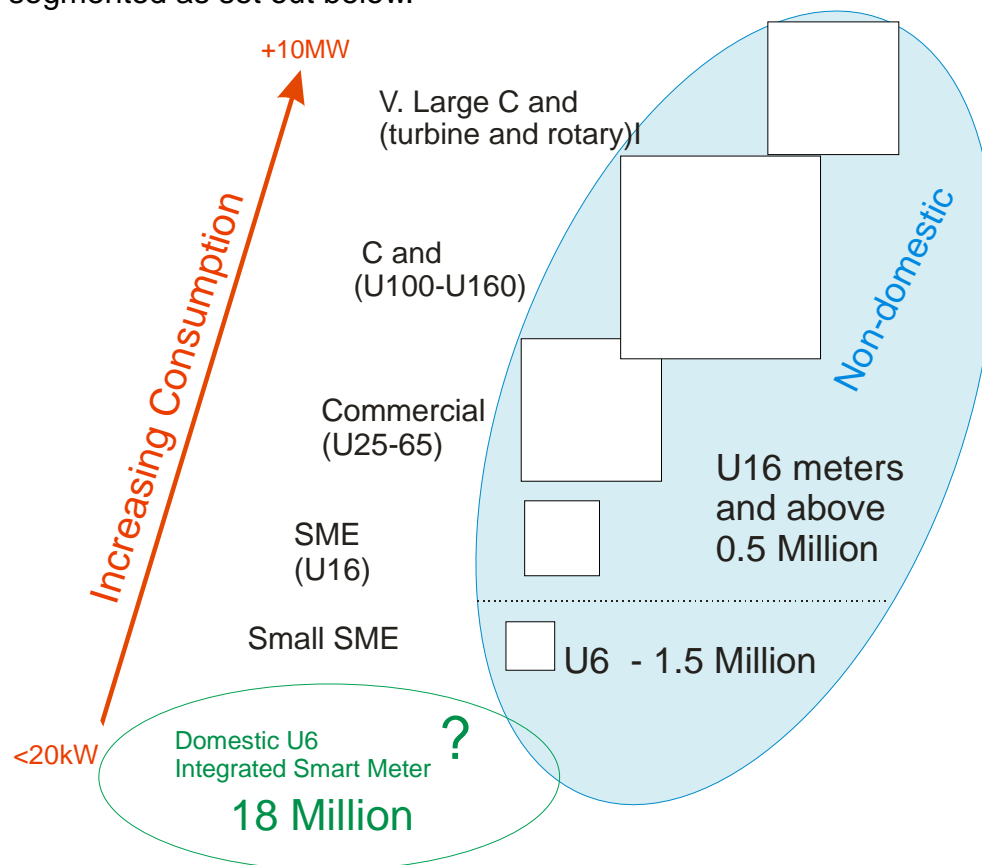
As you may be aware Gazprom has both by itself and as a member of ICOSS been active in developing the Automated Meter Reading (AMR) Service Provider Code of Practice (ASPCoP). We are also participating in the Ofgem Smart Metering development Groups.

For some time we have seen a growing demand from the Non Domestic sector for Business Smart solutions and this has been reinforced by the obligations on Suppliers to provide Advanced Metering and also on customers seeking to meet their obligations under the CRC Scheme.

Gazprom are active in the Non Domestic Market in both Gas and Power and provide Business Smart solutions to the Non Domestic Gas and Power markets. We believe it is critical that any decisions that are made consider the implications on both the Domestic and Non Domestic markets and we welcome recent moves to explicitly reflect this in the Groups Terms of Reference.

In terms of the Prospectus we would like to clarify the scope of any obligations in respect of the HAN requirements on the basis that the IHD is not mandated and thus the HAN becomes redundant as data is provided via Web interface, PC, Mobile or other application.

In terms of scope we believe the Non Domestic Gas market to be segmented as set out below.



These obligations and also increasing focus on energy costs has seen the market for Business Smart solutions growing to encompass all market sectors and all meter sizes.

We believe that by continuing to provide assurance that existing modular solutions can be considered Smart significant early mover benefits can be added to the current business case.

Figure 1: Example of a Business Smart retrofit Solution



Business Smart benefits to existing Business Case

By not requiring the replacement of in situ assets retro fit equipment can be deployed thus avoiding the early replacement of the in situ meter. We believe based on our experience of rolling out Business Smart modules across the Non Domestic sector that 60% of existing equipment, including U6 meters, are capable of supporting a retro as they provide a viable pulse output. For the remaining 40% a number of options are available including the use of optical readers or as a final option a meter exchange.

Based on our understanding of the Market Size, see figure 2 below, it is probable that at least 60% of the U6 Meter Stock or some 900,000 could support the Business Smart solution without and exchange.

Exchanging fit for purpose in situ meters is in itself inefficient however it also creates a number of associated additional costs which can be mitigated by a retrofit: -

Customer disruption – the loss of Gas may cause unnecessary inconvenience and could adversely impact the consumer's in situ appliances.

Upgrades - As retrofit installations do not involve carrying out any invasive work on the installation upgrades to the existing installation do not have to be undertaken

Competence - The installation process is not as onerous and therefore does not require the same skill set as a meter exchange thus allowing more efficient deployment

Resourcing - By facilitating a parallel roll utilising different skill sets we can benefit from parallel Domestic and Non Domestic installations

We believe the Data Communication model should be as “thin” as possible as the DCG will be a licensed monopoly activity and therefore the services it provides will not be open to competition. By ensuring the “thin” or fit for purpose model is adopted we give the program the greatest chance of meeting its deliverables while supporting innovation.

We also believe that consideration needs to be given to retaining the “pulse” at marginal cost in meter designs to enable competition and innovation and to provide redundancy.

In summary we generally welcome the general thrust of the Smart Prospectus and believe if we focus on those key issues necessary to achieve roll out then we have a good chance of delivering a successful smart Program in both Domestic and Non Domestic markets.

To ensure this we should not allow ourselves to get sidetracked on re-inventing wheels so we can meet the policy objectives while maintaining and open and competitive market.

Should you have any questions concerning the content of response, please
don't hesitate to contact me on [REDACTED]

Yours sincerely

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