



28<sup>th</sup> September 2010

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London  
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Dear Margaret

**Smart Metering Implementation Programme:  
Gemserv's response to the Prospectus Consultation, September 2010**

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Please find attached Gemserv's responses to the Prospectus consultation questions that are required by 28<sup>th</sup> September 2010.

Please let me know if you wish to discuss any aspects in further detail.

Yours sincerely

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## **Gemserv's response to the Prospectus Consultation**

### **September 2010**

#### **About Gemserv**

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Gemserv's vision is to be the partner of choice for enabling markets to work effectively and with integrity.

Gemserv has a track record in the delivery of expert consultancy, assurance and advisory services, predominantly in utilities and environmental markets across the UK and Ireland. We have a strong background in the GB electricity market, having developed the arrangements for the competitive retail market under the Master Registration Agreement, and subsequently managing the enduring governance arrangements supporting the metering point registration requirements and processes underpinning the customer transfer process. This expertise in the development and operation of markets has proved to be directly transferable into other sectors, such as water, gas, telecoms and postal services.

Gemserv has been an active participant throughout the smart metering debate and continues to actively contribute to the smart metering implementation project. In doing so, we apply our expertise and market experience to help the GB gas and electricity markets deliver the market arrangements supporting smart metering.

Our September 2010 response to the Prospectus consultation is set out below and covers those aspects of the Prospectus where we are best placed to add value to the debate, which includes a focus on governance issues. Gemserv would be pleased to discuss any aspects of this response in further detail.

#### **Document Title: Prospectus**

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### **3. Do you have any comments on the proposed approach to ensuring customers have a positive experience of the smart meter rollout (including the required code of practice on installation and preventing unwelcome sales activity and upfront charging)?**

Gemserv supports the proposed approach for ensuring that customers have a positive experience of the smart meter rollout (in particular the required code of practice on installation and preventing unwelcome sales activity and upfront charging).

Gemserv believes that a positive customer experience of the smart meter rollout will be critical to customer co-operation with the installation programme and subsequent realisation of smart metering benefits in terms of reductions in energy consumption and carbon emissions.

The programme should prioritise those customers who wish to be early adopters. Assuming the installation and ongoing operation is successful, these customers will be strong advocates of smart metering. A positive conversation between neighbours or friends will be far more effective in garnering support than a general information programme (although we do believe there is a need for a co-ordinated Government and industry campaign to run in tandem to highlight the benefits of smart metering). This approach will create momentum, be a ready resource to counter any potential negative press, and will help to establish a critical mass to engender nationwide support/acceptance.

Supporting this, we believe that a code of practice should set out minimum standards for the customer experience of the rollout, both in respect of the smart meter installation and operations thereafter whilst recognising the importance of customer transfers and other, customer-related processes between market participants. Failure to recognise this could result in a negative customer experience potentially resulting in the customer's loss of commitment to smart metering *per se* and energy efficiency.

**6. Do you have any comments on the functional requirements for the smart metering system we have set out in the Functional Requirements Catalogue?**

Gemserve is broadly supportive of the proposed functional requirements and notes the need for these to be confirmed as soon as possible to provide certainty for suppliers, meter operators and meter manufacturers.

Further, this will be particularly relevant for determining meter/ metering point registration requirements. Given the current potential optionality regarding the continued use of existing registration systems for meter points that will have DCC managed smart meter systems, it will be important to define the ownership of the 'master' registration data and processes and those required to support the DCC functions and services.

Smart metering system functional requirements need to be agreed at the earliest opportunity to inform the development of the data model that will underpin registration requirements and technical inter-operability of smart metering systems, which are likely to include additional data items compared to current requirements.

**7. Do you see any issues with the proposed approach to developing technical specifications for the smart metering system?**

As noted in our response to the Statement of Design Requirements document below, certainty over the minimum functional requirements and technical specifications must be achieved as soon as possible to ensure that the supply chain can provide compliant meters within the rollout timescales, including DCC design, meter manufacture as well as meter operator workforce training and scheduling.

However, in developing both the functional requirements and technical specifications, the Smart Meter Design Group ("SMDG") needs to balance the conflicting requirements for technical certainty without constraining product innovation. In doing this, the SMDG must be mindful that any changes in scope are likely to change costs and impact the business case. Further, in developing and agreeing this, the Programme and SMDG should consider the requirement for technical assurance that installed metering systems are compliant with agreed requirements.

Under the proposed key milestones, the regulatory framework will not be implemented until Spring 2012; given that the functional requirements are due to be confirmed in Summer 2011, consideration will need to be given to the governance of the functional requirements, technical specifications and the technical assurance requirements (content and responsibility), each of which will ultimately need to be incorporated within the Smart Energy Code.

Further, the SMDG needs to consider the data requirements relating to the smart metering system, including formats, valid sets and responsibilities for provision and maintenance to support industry processes (including meter/ metering point registration).

**16. Do you have any comments on the proposals for requiring suppliers to deliver the rollout of smart meters (including the use of targets and potential future obligations on local coordination)?**

Gemserv supports a supplier-led rollout, which is consistent with the 'Supplier Hub' principle whereby Suppliers are accountable for managing metering and data retrieval/ processing arrangements in respect of their customers. This approach is underpinned by a natural incentive on Suppliers to rollout smart meters consistent with customer and industry requirements.

Customers pay their energy bills to suppliers and expect suppliers to be responsible for the quality of service. Accordingly, it is right for suppliers to be the primary contact with customers with regard to smart metering deployment. Furthermore, visits to customers' homes is essentially the only occasion when customers experience face-to-face contact with their supplier and so it is appropriate that this contact is managed by the supplier.

Reflecting the importance customers place on such visits, the rollout programme must put customers at the forefront of the planning development. While it is recognised that the supplier led rollout will present additional challenges, co-ordinated visits to specific areas to install meters and communications must be the approach. Not only does this limit the inconvenience to customers, it also facilitates focused information programmes and assists operational deployment e.g. communication commissioning, particularly where there is a different supplier for each fuel. This does not mean, however, that installing smart meters in other regions/areas would be precluded so to reflect, where possible, customer demand and/or a prioritisation strategy.

This co-ordination will not be easy and will need to be a core function of the central programme and ongoing governance – a key reason why the programme and enduring arrangements will need an independent organisation to facilitate debate and agreement. However, there is an important role for central Government in delivering the public information message. Notwithstanding the commercial and technical challenges that need to be faced, if the rollout strategy leads to negative customer experiences then it is likely to face customer resistance jeopardising achievement of the implementation timescales.

**17. Do you have any comments on our implementation strategy? In particular, do you have any comments on the staged approach, with rollout starting before DCC services are available?**

The staged approach is a pragmatic response to the critical path for smart meter rollout and the time required to develop a Smart Energy Code and the DCC licence.

Under this approach it is understood that 'code compliant' smart meters are likely to be installed ahead of the Smart Energy Code (SEC) and DCC. Until such time as the DCC goes live these meters will either be subject to existing registration arrangements or through an interim alternative. Consideration therefore needs to be given to governance of these meters and associated market processes (pending the SEC) and capture of 'smart' metering system administration data. Failure to do so is likely to result, amongst other things, in a need for 'back-filling' and validation of smart data and introduces an increased risk giving rise to data quality issues following DCC Go-Live.

To mitigate this, Gemserv suggests that, where possible, implementation of the SEC should be accelerated to provide governance over the technical specifications for smart metering systems and the processes, roles and responsibilities all parties in readiness for the commencement of the mandatory rollout.

**18. Do you have any other suggestions on how the rollout could be brought forward? If so, do you have any evidence on how such measures would impact on the time, cost and risk associated with the programme?**

Gemserve believes that additional benefits can be realised where the governance arrangements for the Smart Energy Code ("SEC") are developed by its parties building on aspects of best industry practice (e.g. MRA, SPAA, DCUSA). Gemserve believes that this would be best delivered through a special purpose vehicle ("SEC Company Limited") which, in contrast to the current proposals, could procure the code administrator in advance of the DCC and enable the SEC to be implemented within shorter timescales.

Further, Gemserve believes that optimisation of existing meter point administration data as a common resource for the whole market will bring efficiencies into the SMIP as a whole. A potential benefit to the rollout plan might be a national view of the premises to be covered. Gemserve notes that the Electricity Central Online Enquiry Service (ECOES) and Single Centralised Online Gas Enquiry Service (SCOGES) provides a consolidated view of all electricity and gas supply points respectively and could provide the basis of a consolidated view of smart metering systems.

Looking ahead to later stages of the Programme, both before and after the DCC is operational and servicing gas and electricity smart metering systems, the quality of premise address data needs to be considered across gas and electricity supplies to ensure consistency and alignment.

**20. Do you have any questions on our proposed governance and management principles or on how they can best be delivered in context of this programme?**

In relation to governance for the later stages of the programme, the Smart Energy Code (SEC) will be a key regulatory instrument governing the smart metering arrangements across all market participants, including the DCC, Suppliers and Network Operators. Gemserve believes that, where possible, implementation of the SEC should be brought forward to provide market (cf. programme) governance supporting Suppliers' preparations for the mandatory rollout programme

The MRA, DCUSA and SPAA provide comparable models of best practice for governance of industry codes and could form an appropriate model for the development of the Smart Energy Code. Accordingly, based on our experience of operating effective governance arrangements, Gemserve questions whether the DCC should be responsible for procuring the code administrator, or whether this should be a joint responsibility of on the parties to the SEC. As discussed above, this could be achieved through a "SEC Company Limited." approach consistent with the best aspects of current industry practice.

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**Document Title: Statement of Design Requirements**

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Gemserve is actively participating in the Smart Meter Design Group (SMDG), which is considering these smart metering system functional requirements. Our comments below relate to the Statement of Design Requirements Supporting Document in its entirety rather than in respect of specific questions.

As noted in our response to Question 7 of the Prospectus, certainty over the minimum functional requirements and technical specifications must be achieved as soon as possible to ensure that the supply chain can provide compliant meters within the rollout timescales, including DCC design, meter manufacture as well as meter operator workforce training and scheduling.

However, as previously noted, in developing these design requirements, the SMDG needs to balance the conflicting requirements for technical certainty without constraining product innovation. In doing this, the SMDG must be mindful that any changes in scope are likely to change costs and impact the business case.

In developing and agreeing the design requirements, consideration should be given to the need for technical assurance that compliant metering systems are installed. Under the proposed key milestones<sup>1</sup>, the regulatory framework will not be implemented until Spring 2012; given that the functional requirements are due to be confirmed in Summer 2011, consideration will need to be given to the governance of the functional requirements and the technical assurance requirements (content and responsibility), both of which will ultimately need to be incorporated within the Smart Energy Code.

Further, the SMDG needs to consider the data requirements relating to the smart metering system, including formats, valid sets and responsibilities for provision and maintenance to support industry processes (including meter/ metering point registration).

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Document Title: **Rollout Strategy**

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**1. Do you believe that the proposed approach provides the right balance between supplier certainty and flexibility to ensure the successful rollout of smart meters? If not, how should this balance be addressed?**

Gemserve believes that the proposed approach for the initial stage provides an appropriate balance between supplier certainty and flexibility to ensure the successful rollout of smart meters.

In developing this further, Gemserve recommends that the Programme takes account of lessons learned from previous mandatory metering installations. This should include consideration of issues such as metering point data capture and validation, meter access and location which should be a factor of any revised rollout timetable and plan.

In addition to the current scope of the Rollout Strategy, Gemserve recommends that the Programme gives consideration to meter/ metering point registration requirements supporting the rollout.

It is important to get early clarity of the timing, scope and approach of the proposed incorporation of registration within the DCC. This is important so that appropriate measures can be considered within the market for facilitating an orderly migration of smart metering systems held in legacy systems during pre-DCC Go Live rollout to DCC at Go Live. This will provide certainty both for suppliers and their agents as well as settlements, and will provide regulatory confidence that the DCC will have appropriate responsibility and accountability for those metering systems.

Further, consideration needs to be given to the interim arrangements for capturing data relating to the smart metering system (comprising gas and electricity meters) and whether this can be supported by current registration arrangements or whether additional systems/ functionality is required. Drawing parallels with electricity market liberalisation in 1994 suggests that failure to address this may have a negative impact on data quality during transition and may require extensive effort to validate and amend/ backfill registration data following transfer of responsibility from the 'Supplier Hub' to the

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<sup>1</sup> Prospectus, Table 1, p.38



DCC. Problems could be compounded further by differences in address formats across electricity and gas registration systems. Technical assurance could play a key role in mitigating these risks.

**2. Would the same approach be appropriate for the non domestic sector as for the domestic sector?**

Whilst noting that non-domestic customers have distinct needs and requirements ('Rollout Strategy' Supporting Document, clause 1.13, page 5), Gemserv believes that it is appropriate for the non-domestic sector to have the same rollout approach as the domestic sector as a common approach is likely to be more efficient. Further, as noted in our earlier comments, this is consistent with the 'Supplier Hub' principle whereby Suppliers are accountable for managing metering and data retrieval and processing arrangements in respect of their customers. This approach is underpinned by a natural incentive on Suppliers to rollout smart meters consistent with customer and industry requirements.

Experience of the rollout for both the domestic and non-domestic sectors should be kept under review and modified as appropriate.

**3. Is there a case for special arrangements for smaller suppliers?**

It is important to ensure that rollout strategy does not unfairly discriminate against smaller suppliers; however, where a supplier does not rollout smart meters within a customer's preferred timescales, the customer should still be able to switch to a supplier who can better meet their needs.

**4. What is the best way to promote consumer engagement in smart metering? As part of broader efforts, do you believe that a national awareness campaign should be established for smart metering? If so, what do you believe should be its scope and what would be the best way to deliver it?**

Gemserv believes that customer awareness campaigns (national and local) will be critical to the success of the smart metering implementation programme to drive customer acceptance, understanding of the benefits and behaviour change – particularly in respect of energy efficiency.

As noted in our response to Question 3 of the Prospectus, the programme should prioritise those customers who wish to be early adopters. Assuming the installation and ongoing operation is successful, these customers will be strong advocates of smart metering. A positive conversation between neighbours or friends will be far more effective in garnering support than a general information programme (although we do believe there is a need for a co-ordinated Government and industry campaign to run in tandem to highlight the benefits of smart metering). This approach will create momentum, be a ready resource to counter any potential negative press, and will help to establish a critical mass to engender nationwide support/acceptance.

Awareness campaigns should comprise a multi-faceted approach that ensures maximum customer reach and aim to engender trust and understanding in all customers to overcome any publicity of negative experiences. It is suggested that Consumer Focus could play a key role in supporting this.



**5. How should a code of practice on providing customer information and support be developed and what mechanisms should be in place for updating it over time?**

The gas and electricity industries have experience of developing and implementing codes of practice for customer protection, for example the 'EnergySure' scheme developed by the Energy Retail Association (ERA).

Compliance with the baselined Code of Practice would need to be mandated across all relevant parties (e.g. suppliers and network operators), which could be effected through the Licensing regime. Based on current experience, Gemserv believes that there is benefit in the Code of Practice being established by Suppliers in consultation with other relevant parties (e.g. Consumer Focus, RNIB, RNID). It would seem appropriate for the Code of Practice to be governed by the Smart Energy Code, when available.

**6. Do you agree with the proposed obligation on suppliers to take all reasonable steps to install smart meters for their customers? How should a completed installation be defined?**

Gemserv supports this proposal and notes that it is consistent with the long-established 'Supplier Hub' principle. We believe that this is appropriate given Suppliers' relationship and interface with the customer.

Under current registration arrangements, a completed installation of smart gas and electricity meters could be identified by using an additional flag within existing systems (e.g. ECOES and SCOGES for electricity and gas respectively). However, prior to commissioning of the DCC, a failure to capture all relevant data relating to a Smart Metering System under current arrangements is likely to lead to a degradation of data quality and require a 'back-filling' exercise to complete the dataset.

Gemserv's initial thoughts are that a completed installation of a *Smart Metering System* should include the installation and commissioning of all devices within the Smart Metering System, as defined in Figure 1 of the 'Statement of Design Requirements' Supporting Document. Under current registration arrangements, this would require co-ordination between gas and electricity registration systems and processes to provide a holistic view of the disparate components of the smart metering system.

In each case, 'completion criteria' would need to be transparent and clearly understood. It would seem logical for this to be defined within the Smart Energy Code (SEC), or baselined project documentation if prior to the implementation of the SEC.

**13. Do you agree with our proposal to require suppliers to develop a code of practice around the installation process? Are there any other aspects that should be included in this code of practice?**

Experience shows that mandatory codes of practice leads to industry-wide improvements at or above defined minimum standards.

Given the complexity of the rollout process, Gemserv believes that there is value in considering a code of practice around the installation process to protect customer interests and avoid negative experiences. Such a code of practice should set minimum standards and allow suppliers to differentiate their service offerings above those minimum standards. Gemserv notes that



development of a code of practice for the installation process would need wide stakeholder input, including suppliers, customer groups (e.g. Consumer Focus) and meter installers (including trade associations, i.e. Association of Meter Operators, “AMO”) to ensure that the installation process is safe, robust and practicable.

As the Prospectus notes, there are other examples of codes of practice, for example those produced by the ERA, and the EnergySure scheme which sets out the standards and provides minimum standards. If a code of practice for installations is deemed appropriate, the industry has demonstrated the capability to prepare, publish and follow these documents.

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**Document Title:** Implementation Strategy

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**1. 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?**

As noted in our response to Question 20 of the Prospectus, the introduction and implementation of the Smart Energy Code has a pivotal role in defining the market arrangements and customer protections related to smart metering.

Given the dependencies with existing governance regimes for electricity and gas, Gemserve strongly recommends that change under existing regimes is co-ordinated and scheduled to align with the SMIP requirements. This may include:

- Discussion on any provisions to support any interim inter-operability solutions;
- Reciprocal change management arrangements to support the co-existence of the MRA<sup>2</sup> and the Smart Energy Code at least during the life of the rollout and in relation to the enduring requirements for interactions with the DCC; and
- Run down and termination of superseded provisions.

**2. Are there other cross-cutting activities that the programme should undertake, if so, why?**

Parallel change programmes for other core industry documents are a significant activity which contributes to the implementation of the smart metering system, SEC and DCC programmes.

Whilst recognising that this change activity is not for the SMIP to undertake, liaison and co-ordination with the governance bodies for existing instruments will be key to the success of the overall programme.

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<sup>2</sup> Gemserve notes that the MRA Executive Committee is responding to the SMIP Prospectus consultation from an MRA perspective.

**3. 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?**

As noted in our response to Question 17 of the prospectus above, the staged approach is a pragmatic response to the critical path for smart meter rollout and the time required to develop a Smart Energy Code and the DCC licence.

Under this approach it is understood that 'code compliant' smart meters are likely to be installed ahead of the Smart Energy Code (SEC) and DCC. Until such time as the DCC goes live these meters will either be subject to existing registration arrangements or through an interim alternative.

Consideration therefore needs to be given to governance of these meters (pending the SEC) and capture of 'smart' metering system administration data. Failure to do so is likely to result in a need for 'back-filling' and validation of smart data and introduces an increased risk giving rise to data quality issues following DCC Go-Live.