

September 28th, 2010

Ms. Margaret Coaster
Smart Metering Team
Ofgem E-Serve
9 Millbank
London
SW1P 3GE

Dear Ms. Coaster,

First Utility response to Smart Metering Programme

As well as responding to the first round of Smart Metering Programme questions asked by Ofgem E-Serve, First Utility would like to take this opportunity to make a number of points relating to the impact of some of the assumptions made on smaller suppliers like First Utility.

Firstly, we would like to emphasise the risk currently carried by suppliers who roll out smart metering technology ahead of the final functional requirements and technical product specifications being issued. Should this existing metering technology be declared non compliant and then removed, suppliers in this situation will incur a significant loss on the asset investment made. Those other suppliers who lease the technology from a third party will face hugely increased costs as the useful life of the assets will be greatly shortened and the third party will seek to recoup their investment in a much shorter timeframe.

First Utility's view is that this risk strongly incentivises suppliers to either do nothing or rollout as slowly as possible ahead of mandated rollout and to some extent rules out the possibility of any accelerated rollout early on. In light of this, we believe that economic incentives to rollout early on should be considered to have at least equal weight to licence obligations. We would suggest that this situation could be best remedied by allowing metering technology already in situ prior to the final functional requirements and technical product specifications being made public to remain in place until the end of the national installation programme where such installation has been requested by the customer and is compliant with a minimum agreed standard. This would then allow a reasonable asset life for this technology, remove the uncertainty currently related to the issue, reinforce the concept of customer choice and incentivise smart meter rollout as early as possible.

Smaller suppliers like First Utility are best placed to compete with the larger incumbent suppliers on a platform of product innovation and customer service excellence and we do not feel that the fostering of competition in the UK supply market would be best served by constraining that ability through the imposition by the Smart Programme of considerable uncertainty relating to installation of "smart" meters ahead of final confirmation of technical specifications and functional requirements.

Please do not hesitate to contact me if you have any questions or would like any further information.

Yours sincerely,

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