

METER FIT NORTH WEST LIMITED
METER FIT NORTH EAST LIMITED
METER FIT 2 LIMITED
METER FIT 3 LIMITED

(Collectively referred to as Meter Fit for the purpose of this response)

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28th October 2010

Margaret Coaster
Smart Metering Team
Ofgem E-serve
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Dear Margaret

Smart Metering Implementation Programme – Prospectus Consultation response to questions for response 28th October 2010.

I refer to your consultation request 27th July 2010

Meter Fit is very pleased to respond to the consultation on the Smart Metering Implementation Programme. Meter Fit currently installs and manages domestic gas and electricity meters in the North West and North East of England and has done so since 2002. Furthermore, Meter Fit is in discussions with its customer regarding taking on a national MAP role and as such MF is one of the few independent meter asset provider and meter asset manager/operator in the country of any substantial scale. Meter Fit is therefore very keen to participate fully in this Smart Metering Consultation.

We are particularly keen to engage with Ofgem more fully on the following points;

- Governance and structure of Gas and Electricity industry
- Recognition of the changing markets, different market roles and barriers to investments (stranding)
- Benefits and risks of accelerated rollout
- Greater transparency in the provision of data to recognised market participants

Meter Fit will fully cooperate with Ofgem and look forward to further discussion on the information provided and other related issues.

Our response is non-confidential and if you require further clarification, please do not hesitate to contact me

Yours faithfully


Meter Fit

SMART METERING IMPLEMENTATION PROGRAMME - PROSPECTUS

Chapter 2

Question 1 - Do you have any comments on the proposed minimum functional requirements and arrangements for provision of the in home display device?

As the Meter Asset Provider we would not want to provide and maintain in-home devices as these are consumable items. We believe that these are best provided by the Supplier.

Question 2 – Do you have any comments on our overall approach to data privacy?

Not Applicable

Question 8 – Do you have any comments on the proposals that energy suppliers should be responsible for purchasing, installing and, where appropriate, maintaining all customer premises equipment?

Meter Fit supports the current supplier hub principle, however the procurement of meters should be made directly by the Supplier or through a MAP organization like Meter Fit not by the DNO.

The current competitive market has developed over the past 6 years and is working so that there are now numerous different organizations offering MAM and/or MAP services. The opportunities presented by Smart Metering will encourage that competition to grow and provide the best cost to serve pricing for the installation and provision of Smart meters and associated components such as the WAN.

Any proposal that the DNO's should be responsible for the procurement of meters would be a retrograde step back to the old legacy monopolies and would be open to legal challenge. Furthermore, Meter Fit and other MAP organizations have previously challenged the legacy agreements in the gas industry as anti competitive; supporting Ofgem's approach to the Competition Commission.

To reverse this market, built up by the commercial MAM/MAP organizations, would have a detrimental effect on competition and would leave the Smart programme open to legal challenge which would delay the implementation of Smart Metering and challenge the cost benefits assumed in the Baringa models.

In summary, we do not believe that purchasing through DNO's is the right option for both supplier choice and the competitive metering industry that already exists.

Question 9 - Do you have any comments on the proposal that the scope of activities of the central data and communications function should be limited initially to those functions that are essential for the effective transfer of smart metering data, such as data access and scheduled data retrieval?

An essential function of the DCC is to hold standing data associated with the meter and transfer Smart Metering data on change of supplier. In order to do this the DCC will need to know for which Supplier it is acting and to which MPAN/MPRN and functional specification it is communicating with.

The DCC function will by default naturally cover data held by Xoserve and Ecoes such as Serial number etc. It would be more efficient in the longer term if data for smart installations is held by a central body such as DCC. Holding data separately for Gas and Electricity for the purpose of change of supplier for Smart is inefficient in the longer term as a large number of smart installations will be dual fuel.

We would also welcome the synergies in governance that the DCC would be able to achieve across Gas and Electricity enabling interoperability and access to data between and with all Market Participants.

Holding standing meter data, especially for Smart meters, will also minimize the amount of data traffic that needs to be exchanged between market participants on change of supplier. Working on the assumption that if the meters are interoperable then the de facto assumption is that the meters will not be removed for any reason with the exception of faults or exceptional circumstances.

Question 10 – Do you have any comments on the proposal to establish DCC as a procurement and contract management entity that will procure communications and data services competitively?

As a commercial MAP whose interest is in the tracking and the interoperability of Smart Meters we would welcome the establishment of a central DCC undertaking the data services function and its governance by the Smart Energy Code.

Question 11 – Do you have any comments on the proposed approach for establishing DCC (through licence awarded through a competitive licence application process with DCC then subject also to the new Smart Energy Code)?

Meter Fit would support any measures that would bring forward the process of setting up and commissioning the DCC as this will facilitate effective supplier churn and interoperability. In particular we would urge Ofgem via the DCC to prohibit the removal of meters following churn and mandate removal only in exceptional circumstances.

Question 12 – Does the proposal that suppliers of smaller non-domestic customers should not be obliged to use DCC services but may elect to use them cause any substantive problems?

It would be preferable if all market participants were obliged to use the DCC to maintain interoperability across all sectors and to allow monitoring of the cost benefits of Smart on the SME market.

Question 13 – Do you agree with the proposal for the Smart Energy Code to govern the operation of smart metering?

Meter Fit welcome the introduction of the Smart Energy Code that provides governance across both Gas and Electricity markets and will be constructed to recognize all market participants in the multi party framework agreements. We welcome that the Code is expected to be managed by an Independent code administrator which we feel is essential to remove the current differences and governance between Gas and Electricity markets and any legacy assumptions.

Question 14 – Have we identified all the wider impacts of Smart Metering on the energy sector?

Not applicable

Question 15 – Is there anything further we need to be doing in terms of ensuring the security of the smart metering system?

Not applicable

Smart Metering Implementation Programme – Regulatory and Commercial Framework

2. Smart Metering Regulatory Regime

Question 1 - Have we identified all of the key elements that you would expect to see as part of the Smart Metering Regulatory Regime?

The Smart Metering Regulatory Regime set out broadly covers all the areas needed to govern the smart metering rollout and governance. It is incumbent that lessons are learned from the existing regimes and that all market participants are recognised within future regimes (including possible WAN ownership) so that the benefits of smart metering can be realized and any stranding/legacy issues addressed as part of that regime.

We would also welcome an obligation to retain the meter on the wall following churn as the meters should be interoperable. This will ultimately reduce the risks and cost of providing smart meters.

The Smart Metering Regulatory regime also needs to recognize that the Gas metering industry is not a bundled service and MAM and MAP's operate independently.

3. Smart Energy Code

Question 2 – Do you agree with the proposal to establish a Smart Energy Code

Meter Fit supports a 'cross industry' Smart Energy Code as this will align the Gas and Electricity industries and will facilitate the implementation and ongoing governance for Smart metering.

The Code needs to recognize all market participants, whilst the smart roll out still being Supplier led. The code should allow for those parties to have valid input into any changes that could materially affect their businesses (such as meter stranding)

For instance changes to speed up the Change of Supplier process are welcomed as long as all parties affected are informed on change of supplier and this is made with consideration of asset providers and potentially WAN hardware providers along with an obligation not to remove meters on churn that are interoperable.

Question 3 – D you have any comments on the indicative table of contents for the Smart Energy Code as set out in Appendix 3?

The table of contents seems to cover all aspects required within a new code.

Question 4 – Do you have any comments on the most appropriate governance arrangements for the Smart Energy Code?

Governance of the code should be independent; this will enable the code to flexible enough to change as the market progresses. It should not be encumbered by preconceived legacy ideas and should look to be as inclusive as possible, the voice of all market participants including MAP's and WAN asset providers must be heard.

4. Roles and Responsibilities at customer premises

Question 5 – Do you agree with the proposals concerning the roles and obligations of suppliers in relation to the WAN communications module?

Yes, Meter Fit broadly agrees with the principle of Supplier Hub applying to the WAN device with clear arrangements being put in place to enable the faults rectification procedures and asset tracking and rental recovery.

Question 6 – We welcome views as to which other additional data items should be included in the mandated HAN data set beyond the list for the IHD?

N/A

Question 7 – Do you agree with the proposal that the WAN and HAN in customer premises should be shared infrastructure, with the installing supplier retaining responsibility for ongoing maintenance? If not, would you prefer to have an arrangement by which if the gas supplier is the first to install, responsibilities for the common equipment is transferred to the electricity supplier when the electricity smart meter is installed?

Meter Fit broadly agrees with the concept of the installing supplier retaining responsibility for ongoing maintenance and the concept of a shared infrastructure, there will be some anomalies that crop up in relation to the ownership and ongoing rental of the WAN unit and the difficulties that may arise. for example:-

- If the gas supplier installs a WAN unit that is an independent WAN module (not built into the meter) to work with a particular meter choice and the electricity supplier installs an integrated WAN module meter (built into the meter) for the electricity installation what WAN device is to be used and who is responsible? Does each supplier maintain their own devices? What happens if both Gas and Electricity churn as dual fuel to the same supplier, would they maintain dual WAN capability?

Issues of ownership would also need to be resolved, does the supplier recover the rental he is paying to the asset owner from the incoming supplier on churn or does the supplier inform the asset owner (as is required for change of supplier for meters) of the incoming supplier and the asset owner will charge amortised rental to the incoming supplier?

It would be simpler if the incumbent supplier had responsibility of the WAN maintenance whilst the customer is under its supply. This makes the consumers and suppliers roles to be more easily defined and would allow less confusion for any fault call outs. Similarly, the WAN owner should be treated as with any meter and a mechanism put in place to track the user of the asset (via DCC) and allow them to charge rental for the asset directly to the supplier. This would eliminate a large proportion of the issues raised above.

5. Other regulatory and commercial issues

Question 8 – Are there additional measures that should be put in place to reduce the risk to the programme generated by early movers?

1. Move to introduce the DCC more quickly with a clearly defined role
2. Final definition of the technical specification for smart meters.
3. Address stranding issues of legacy meters
4. Interoperability, obligation on suppliers to co-operate and make interoperability work so that the use of the existing meters is continued as smart, retained following churn.

Question 9 – What is needed to help ensure commercial interoperability?

1. Acceptance within the industry that Gas metering is no longer a bundled service, absolute recognition of the MAP as a valid market participant.
2. Data flow mandation for all market participants (e.g. commercial operators interacting with National Grid Metering effectively). Do not assume that all market participants use the Gas IX. This is a National Grid legacy system.

3. Interoperability, obligation on suppliers to facilitate the use of the existing meters as smart by co-operating changing trusted numbers and other measures pre DCC mandation.
4. WAN process for responsibility, recovery of revenue and asset tracking to be defined
5. DCC in place or interim work around defined.
6. Recognition of all market participants and their individual needs to ensure that competition is effective and that individual business models are maintained in the interim.
7. Retention of the meters on the wall following supplier churn.

Question 10 – Can current arrangements for delivering technical assurance be developed to gain cost effective technical assurance for the smart metering system? If so, how would these procedures be developed and governed?

Not applicable

Question 11 – Are there any other regulatory and commercial issues that the programme should be addressing?

Ofgem should be addressing the legacy issues in particular the differences between commercial operators and legacy providers.

The unbundling of the MAM and MAP needs to be recognized so that either MAM and or MAP can operate as independent valid market participants.

Legacy owners need to communicate with commercial operators and also needs to allow other MAM's to offer MAM services to their assets, making the market more competitive and driving the speed of the change driven by the appetite of the Suppliers and not the legacy rules of a bundled approach.

6. Impact on Wider industry processes

Question 12 - What evolution do you expect in the development of innovative time of use tariffs? Are there any barriers to their introduction that need to be addressed?

Not applicable

Question 13 – Are there changes to settlement arrangements in the electricity and gas sectors that are needed to realize the benefits of smart metering?

Not applicable

Question 14 – What arrangements would need to be put in place to ensure that customers located on independent networks have access to the same benefits of smart metering as all other customers?

Alignment of all industry codes under the Smart Energy Code and the use of DCC by all market participants (especially for Domestic consumers) should be made mandatory under the Code. Many commercial MAPs now have meters fitted to these networks with no tangible way of tracking the assets which will make the cost of funding meters to these networks more expensive and therefore the benefits to these customers will not be equal and will be delayed.

Question 15 – Are there any other industry processes that will be affected by smart metering and which the programme needs to take into account?

The prospectus assumes that all Electricity Data flows are conducted via DTN and that Gas flows are conducted by IX. In the majority of cases for commercial operators (MAM and MAP) use DTN for all electricity/gas communications (though a large majority of smaller users is done via Email), the vast majority of Gas MAM/MAP who are not associated with NGM legacy don't use the IX and have traditionally used either Manual data flows or the DTN. It

would therefore be beneficial to competition to have in place a central registration system that allows all market participants to operate and allows tracking of all smart metering components.

Smart Metering Implementation Programme – In-Home Display

Question 8 – Do you agree with the proposals covering the roles of and obligations on suppliers in relation to IHD?

IHD's are a consumable item and are specific to the supplier offering therefore there would be no appetite for independent funding of these items by a MAP type organization.

Smart Metering Implementation Programme – Communications Business Model

2. The Scope of the DCC

Question 1 – Do you agree that access control to secure centrally-coordinated communications, translation services and scheduled data retrieval are essential as the initial scope of the DCC?

Yes, but the needs of all market participants must be considered.

Question 2 – Do you agree that meter registration should be included within DCC's scope and, if so, when?

Yes, meter registration of Smart meters should be within DCC's initial scope and implemented as soon as possible to reduce the impact of meter asset stranding and provide security of information to the asset funder, therefore potentially reducing the risk and costs of providing a smart meter and enabling interoperability.

Question 3 – Should data processing, aggregation and storage be included in DCC's scope and, if so, when?

No, these functions should be carried out by the Gas and Electricity industries, the only function of the DCC is to record any change of supplier and or owner of a particular component.

Question 4 - Do any measures need to be put in place to facilitate the rollout in the period before DCC service availability and the transition to provision of services by DCC, for example requiring DCC to take on communications contracts meeting certain pre-defined criteria?

Interoperability needs to be implemented and managed to defined criteria before the roll out of DCC to ensure that the market reduces the risks of providing smart meters and to allow early adopters to take advantage of the market encouraging a wider range of smart metering devices and competition in the market. This will reduce the costs of providing smart meters in the interim period therefore reducing the costs to the customer.

3. The Structure and Realisation of DCC

Question 5 – Do you agree that the licensable activity for DCC should cover procurement and management of contracts for the provision of central services for the communication and management of smart metering data?

Yes

Question 6 – Do you consider that DCC should be an independent company from energy suppliers and/or other users of its services and, if so, how should this be defined?

The DCC should be an independent company separate from energy suppliers, legacy providers and other users. There should be a governance structure/body to oversee the functions and changes required by the DCC that should encompass the needs of all market participants. This would allow the DCC to develop to meet the changing needs of smart metering markets and ultimately smart grids and equalize the synergies between the gas and electricity processes free from legacy issues.

Question 7 – Do you have any comments on the steps DCC would need to take to be in a position to provide its services and the likely timescales involved?

The provision of services for the DCC should be implemented as early as possible to reduce risk on provision of smart meters and the WAN device. This risk is in the form of asset tracking, interoperability and stranding.

Question 8 – Do you have any comments on the proposed approach to cost recovery and incentivisation for DCC?

Meter Fit broadly agree with the proposed approach however scope should be left for the commercial recovery of costs associated with the provision of data to recognized market participants.