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Margaret Coaster
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Ofgem E-Serve
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27th September 2010

Smart Meter Implementation Programme

Dear Margaret

Ovo energy welcomes the opportunity to reply to the above consultation. Enclosed are our responses to the questions required by September 28th.

Question 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)?

Smaller supplier do not have the purchasing power of the larger ones and are therefore likely to look to meter asset providers to provide a rental service with no up-front contribution for installing the meters. However, having spoken to a number of these agents, there is a general consensus that they are only willing to provide an IHD unit by purchasing them outright. We believe that this unfairly loads an up-front cost on the supplier installing the initial Smart meter and this would be a significant outlay for smaller suppliers.

There is an insistence that a Smart solution should include a Smart meter as well as an IHD unit. Ovo energy would therefore request that we should be able to charge for supplying these units, as well as charging for subsequent replacements based on loss or damage to this hardware. Furthermore, there shouldn't be a responsibility on subsequent suppliers to provide free replacement IHD units, where customers have lost the original unit. Charging for these units is also likely to incentivise the customer to ensure that they are not misplaced or damaged them, as they will be aware of the cost involved in replacing them.

It's also important that details of any IHD units provided to the customer should be passed on to subsequent suppliers, as this ensures that they are aware of the type of unit and the date it was



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provided.

Also, there are instances where providing a working Smart meter service will take additional time and materials. If these costs exceed that of a standard installation, especially based on customer requests to re-position meters etc, there should be the ability for the supplier to recoup these additional costs from the customer.

As well as defining what constitutes a completed installation, it would also be helpful if there was an agreement as to what was included in a standard installation. Suppliers will then be aware that they can charge for any service above and beyond this standard work and materials. This is not a case of Ovo attempting to capitalise on an opportunity to levy additional charges, but rather a case of a small supplier looking to cover any additional costs they will incur when exchanging these meters.

Additional peripheral hardware such as contactors can significantly increase the cost of replacing a meter. Using a contactor as an example of an additional cost, there's a danger that suppliers may attempt to deliberately lose supplies and/or not register customers who are known, or believed to, require a switched load service to ensure that they don't incur the additional cost when installing a Smart meter.

There's also a distinct possibility that certain customers will require meters installed outside of working hours and it should be acceptable to levy additional charges to these customers for work which is undertaken at a greater expense.

It is mentioned in the prospectus that local authorities may become involved in promoting Smart metering. We would request that in these instances the local authorities must remain impartial and not allow any literature or advertising to be in collaboration with any supply company, as sponsorship of this kind will appear to the customer as an endorsement of the supplier in question.

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

Ovo Energy have no comment to make on this question.

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



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Ovo Energy have no comment to make on this question.

Question 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)?

Rollout targets need to be mindful that there are smaller companies within the supply industry undergoing significant growth phases. These companies will find it difficult to continue to promote competition within supply, whilst also co-ordinating a targeted number of Smart installations. Resource which is available to the larger suppliers to co-ordinate administrative and operational tasks with third parties to replace meters is not available to smaller suppliers. Suppliers with less than 50,000 customers will not be obligated to offer CESP, so co-ordination for these suppliers will not be applicable for this stated reason.

Ovo believe that the rollout will naturally prioritise Smart meter installations for customers requiring recertification of their meters (for dual fuel customers with the same supplier, the meter on the other supply would also be removed during the same visit) and customers with faulty meters (once again the other meter could be replaced for dual fuel customers). There's also a commercial incentive for suppliers to offer meters to existing and new customers, where a request is made to install one, as these customers can exercise their right to choose another supplier who can provide this service.

We therefore see no need during the initial rollout phase to mandate that a set proportion of meters are replaced. This is especially true during the phase where the DCC is not available, as there are risks in undertaking a mass rollout during this period. However, we understand that if this approach does not deliver a significant number of Smart installations, then targets should be mandated for future exchanges.

Smaller suppliers should be allowed to undertake exchanges independently of any targeted geographical rollouts, as the lack of density of customers will not allow a co-ordinated approach of this type. We therefore support a market-led rollout. We would once again re-iterate that any overall exchange targets should take into account the resource ability of small suppliers to co-ordinate significant replacement programs over a short period of time.

There also needs to be an understanding that smaller suppliers, unlike many of their larger counterparts, do not tend to have the internal capability to undertake meter exchanges and they therefore tend to use third party agents to action this work. There's also a genuine concern that



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smaller suppliers would not receive prioritisation during a geographical rollout over a short period of time, as resources amongst third party meter installers will be stretched and are likely to be prioritised to larger customers.

We are fully supportive of the intention to develop a code of practice enforced by a new SLC to ensure that customers are provided with an agreed set of data. However, during any mandated rollout there needs to be clear understanding as to what lengths a supplier will be expected to go to with regards to ensuring that a meter gets replaced e.g. how many attempts need to be made to contact the customer to arrange an exchange?

There may be a future need to add an additional clause to the new Smart Meter SLC to allow suppliers to obtain a warrant to enter a property, similar to SLC clause 12.10 within the gas licence which allows a supplier to obtain a warrant to undertake the 2 year inspection. This should be a final resort and would only be used during the latter stages of the rollout with any charges incurred in obtaining a warrant chargeable to the customer.

There will also be instances where Smart meters cannot be installed, as a signal is not available, or is insufficient due to network coverage or the meter's installation. We agree with the intention to have an 'all reasonable steps test', but information regarding a failure to install a Smart meter needs to be held by the current MOP/MAM, so that this data can be provided to any subsequent supplier during a CoS event. This will ensure that any new supplier is privy to information regarding installation/communication issues and does not undertake unnecessary work to attempt to install a smart meter. Any future visits to attempt to install Smart metering will only then be organised if the perceived problem has been resolved.

With regards to network operators being available to resolve issues such as unsafe backboards to expedite any delayed installations, we would be very supportive of this approach, as it's not uncommon for the stated example of a backboard replacement to currently take 3 months to be replaced.

A problematic area which will require an agreed solution is that of semi-concealed gas meter boxes, which are especially prevalent on new build developments. There are two issues relating to this type of meter box and this is the lack of suitable Smart metering to install within these boxes and their propensity to flood. The industry therefore has to address this issue to ensure that properties with this type of gas connection aren't left with the existing non-Smart meter, or face multiple visits to resolve the issue of installing the Smart meter.



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Question 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?

Ovo's main concern is to ensure that any Smart meters installed prior to the DCC implementation do not result in interoperability issues where customers undergo a CoS event and are not able to enjoy Smart benefits from SSD e.g. consumption access via the online portal of the new supplier. This could restrict the ability of early adopting Smart customers from changing suppliers, as a CoS event would lead to a loss or interruption to the Smart data service. There therefore needs to be an agreed process to ensure that relevant Smart meter details are provided to the agents of the new supplier if a CoS occurs on a supply. It's therefore clear that responsibility for the head end needs to remain with the MAP for the pre-DCC period, as this allows the data to be provided directly to the new supplier, or that data access details are passed to the new agents to enable them to pass these details to the supplier.

The interim solution needs to allow this data to be made available prior to SSD, as a key benefit of smart metering is the end to the deeming of opening reads (and the subsequent disputed read process where this read is not accepted by the customer or supplier). However, if there's no ability to access the data, there would be an absurd situation of deeming a read on a supply with a Smart meter! A solution to this issue for the electricity meter may be to use the new Auxiliary Meter Technical Details Data flow under CP1335, which will be included in the February 2011 release of the DTC.

Ovo are concerned that during this pre-DCC period the issues we have focused on above will cause additional complaints from Smart meter customers undergoing a CoS event. These complaints are likely to be directed to the new supplier, whereas the issues are more likely to originate from the old supplier. Smaller suppliers with sharp growth curves are likely to be disproportionately affected by this issue, due to a higher net gain of customers.

It's therefore clear that this issue is an integral part of the interim arrangements and a process needs to be agreed whilst no DCC is in place.

Question 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?

We fully understand the need to effectively manage a phased implementation to ensure that Smart



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metering is provided in the most effective and timely fashion. However, it's unclear from the prospectus why the DDC regulatory framework cannot be implemented until Spring 2012, which seems to be a disproportionate length of time to instigate this. We would question why the analysis work to agree the scope of the DCC cannot begin immediately, in conjunction with agreeing the regulation for the competitive licence application, as this would allow the delivery date to be brought forward?

We would suggest that any development plan needs to include deadlines for updating the data transfer catalogue/ data item catalogue and SPA files to ensure that agreement on any changes is always undertaken with these dates in mind. This ensures that these deadlines are not unknowingly missed, which could potentially delay aspects of the rollout by months.

Question 19: The proposed timeline set out for agreement of the technical specifications is very dependent on industry expertise. Do you think that the technical specifications can be agreed more quickly than the plan currently assumes and, if so, how?

Ovo Energy have no comment to make on this question.

Question 20: 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?

Ovo Energy have no comment to make on this question.

Ovo energy does not have any objection to Ofgem publishing this response letter via their website.

Yours Sincerely

A large black rectangular box redacting the signature and name of the representative.

A black rectangular box redacting contact information, likely a phone number or email address.