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

28 October 2010

Dear Ms Coaster

**RE: SMART METERING IMPLEMENTATION PROGRAMME: PROSPECTUS
CONSULTATION RESPONSE AND QUESTIONS**

Please find attached further responses compiled by Macquarie Corporate and Asset Finance ("MCAF"), on behalf of Capital Meters Limited ("CML") and Macquarie Leasing Limited ("MLL"), in response to the outstanding questions posted in Appendix 1 on the Smart Metering Implementation Program: Prospectus as published by Ofgem on 27 July 2010. These supplement the letter provided on 28 September 2010 and complete our response to the consultation outlined in the Prospectus.

MCAF is an operating group of Macquarie Group Limited ("Macquarie"). Macquarie has been involved in the UK competitive metering market as a financial adviser since 2002 and MCAF has been an investor in the market since 2003. MLL and CML, both subsidiaries of Macquarie Bank Limited, currently have a substantial portfolio of domestic and non-domestic traditional and smart gas and electricity meters which are rented to more than 20 energy suppliers across the UK. These meters are part of over GBP 8 billion of funded assets that MCAF holds on its balance sheet.

We look forward to continuing to be a part of this process.

Kind regards



Question 1: Do you have any comments on the proposed minimum functional requirements and arrangements for provision of the in-home display device? *(Deadline for response: 28 October)*

We concur with the Prospectus that it is critical that the consumer has access to meaningful data in a readily understood format in order to maximise the likelihood of a change in energy consumption patterns that will lead to savings for the consumer. We would make the following more detailed points:-

- Smart meters are primarily an enabler to allow a smarter use of energy. Therefore open architecture that allows consumers to add other devices such as smart appliances is critical.
- A requirement to provide a “free IHD” on a second visit for those customers that change their mind will likely result in these additional costs being spread across all customers.
- Energy suppliers may be better incentivised to provide energy savings rather than particular devices such as IHD’s. This will encourage energy suppliers to provide a service aimed at tailoring energy solutions to particular customers, rather than targeting devices that may not be appropriate or provide the desired results.
- As it is a supplier hub driven competitive market, we believe it may be a more optimal solution to incentivise/require energy suppliers to offer multiple solutions to customers to provide their energy information needs allowing them, and their customers, flexibility, rather than forcing a potentially expensive “one size fits all” solution. For example, the energy supplier may choose to offer an energy efficiency mobile phone application which the customer is more likely to use than an IHD.
- Any IHD’s supplied into the home should be able to be used post a supplier churn event. In other words, have an open architecture that allows the winning supplier to use the existing IHD as the host for its particular branded information package. It would be a sub-optimal solution where each change of supplier event necessitated the disposal and installation of a brand new IHD.

Question 2: Do you have any comments on our overall approach to data privacy? *(Deadline for response: 28 October)*

Nil response.

Question 4: Have we identified the full range of consumer protection issues related to remote disconnection and switching to prepayment? *(Deadline for response: 28 October)*

Nil response.

Question 5: Do you have any comments on the proposed approach to smaller non-domestic consumers (in particular on exceptions and access to data)? *(Deadline for response: 28 October)*

Nil response.

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? *(Deadline for response: 28 October)*

We believe the approach of making energy suppliers responsible for selecting, purchasing and installing all customer premises equipment is appropriate and consistent with the energy supplier hub competitive market framework. This ensures that all the customer equipment selected and installed by an energy supplier will be consistent with their license obligations, and is consistent with current rights and obligations that energy suppliers have with respect to access to the customers’ homes.

This approach also allows energy suppliers maximum flexibility to co-ordinate the roll out of a smart meter implementation project across their customer base. We would see some of the advantages as being the ability to minimise the number of visits to a customer's home, together with the flexibility to select the optimal model of selecting, purchasing, funding, installing, reading and maintaining the equipment/assets in the home.

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? *(Deadline for response: 28 October)*

We believe that to maximise the probability of an on time and on cost project delivery, an approach that limits the complexity of the central data and communication function for the initial phase is a sensible approach.

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? *(Deadline for response: 28 October)*

Please see our response to Question 20 of our 28 September 2010 submission.

Question 11: Do you have any comments on the proposed approach for establishing DCC (through a licence awarded through a competitive licence application process with DCC then subject also to the new Smart Energy Code)? *(Deadline for response: 28 October)*

Nil comment.

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? *(Deadline for response: 28 October)*

We do not see any substantive problems with this approach.

Question 13: Do you agree with the proposal for a Smart Energy Code to govern the operation of smart metering? *(Deadline for response: 28 October)*

Given that there are a significant number of potential participants and a number of critical inter company obligations, it would seem sensible to have a framework to ensure and maintain alignment across the various parties. However, any framework needs by design to be flexible and able to support a rapidly developing market without slowing down or restricting innovation.

Question 14: Have we identified all the wider impacts of smart metering on the energy sector? *(Deadline for response: 28 October)*

Nil comment.

Question 15: Is there anything further we need to be doing in terms of our ensuring the security of the smart metering system? *(Deadline for response: 28 October)*

Nil comment.