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Margaret Coaster  
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9 Millbank  
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22<sup>nd</sup> October 2010

### Smart Meter Implementation Programme

Dear Margaret

Ovo Energy welcomes the opportunity to provide responses to the remaining questions raised in the above consultation. Enclosed are our responses to the questions required by October 28<sup>th</sup>.

#### 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?**

We are concerned that the IHD cost will be especially onerous to smaller suppliers, as we don't have the buying power of the larger companies. We therefore question whether a Smart offering should include an IHD unit provided at no up-front cost to the customer. Ovo are of the opinion that customers should be provided with the option to purchase the IHD, or choose to solely obtain the consumption information via the supplier's online portal.

Our concern is that the cost to provide an IHD may be borne needlessly, as we're yet to be convinced that customers will use these units for a prolonged period to help to reduce or change consumption patterns. We agree that energy savings will come from improved energy usage or shifting energy patterns, but it could be argued that this can be done by viewing retrospective data via a web portal. The 'In-Home Display' document admits that current information regarding the success of IHDs in helping customers reduce consumption is not comprehensive and that the data available is weighted towards electricity, so a conclusive case for providing this hardware cannot definitively be made.

Ovo believe that competition to produce IHDs and to drive down unit prices will be better served by allowing customers to purchase an IHD of their own choice, should they choose to own one. This reduces the upfront cost to the supplier arranging the Smart installation and allows a customer to make a choice outside of the IHD chosen on their behalf by their supplier, whilst the cost saving is



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reflected in the tariff price. We do not believe that a single unit to fit all will work, as less technically proficient customers may be happy with a standard IHD where they just view data and don't want to scroll for extra features. Technophiles or more image conscious individuals may choose to purchase a more advanced/aesthetically pleasing (and possibly more expensive) unit, or even choose to receive the data via an application on their mobile phone which they may be more likely to use to view their consumption.

It would seem a waste of resource to provide a standard IHD to these customers, only for them to purchase another unit or a relatively cheap 'app' to provide data in a format that they're more comfortable using. This customer led approach to sourcing an IHD also resolves the issue of different companies providing the gas and electricity supply and the potential of receiving an IHD from both.

The above suggestion does not preclude there being an obligation imposed on the supplier to provide the customer with details of the benefits of IHDs and how they could make further energy savings by purchasing one.

Ovo support the need to provide an IHD to prepayment customers, as long as this replaces the obligation to move a PSR customer's meter where it's not in an accessible position. The ability to add credit via the IHD (if it cannot be automatically added remotely) can then be actioned via the IHD, replacing the need to have an accessible meter.

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

Ovo have nothing to add to what has already been outlined in the document. However, as mentioned in response to question, 15 Ovo believe that the industry will need to promote the positives of Smart in the media to convince customers of the benefits that this metering will bring.

**Question 4: Have we identified the full range of consumer protection issues related to remote disconnection and switching to prepayment?**

Smart metering should be viewed as a benefit to customers in payment difficulties. This is due to the added value of receiving daily consumption information, which provides valuable data for customers to look at reducing their usage. Along with the potential offering of time of use tariffs, this should allow these customers to make savings on their fuel bills whilst the meter is in credit mode.

The ability to convert the meter into prepayment from credit mode is a further benefit to



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customers experiencing debt issues, as it's a significant help to allow them to budget for their electricity and gas usage. Although Ovo welcome the ability to remotely switch from credit to prepayment, we agree that there should be an agreed contact process that the supplier must follow prior to actioning the remote change in meter type. We suggest that the customer should always be contacted via their preferred written correspondence method and also via telephone before there's a remote meter type change. Customers switched to prepayment should be provided with full information on all payment methods available to them and to make the transition smooth we suggest that there's a minimum credit added to the meter, above and beyond the emergency credit limit. This should ensure an effortless transition from credit to prepayment.

Also, in line with supply licence condition 27, the meter should only be placed in prepayment mode where it is safe and reasonably practicable in all the circumstances to do so. This possibly raises the need to provide more accurate and additional descriptions for electricity meters via the 'Meter Location' item name (Item Reference: J0419) to allow suppliers to make a decision on the suitability of prepayment based on these details.

We also believe that the current SLC 27 provides sufficient protection to vulnerable customers from disconnection during winter periods. Ovo suggest that prior to any disconnection of a Smart meter on the basis of debt, that load limiting is mandated as a precursor to this ultimate sanction.

We also need to be mindful that remote configuration of the meter also allows a prepayment meter to be changed back to a credit meter. This therefore allows prepayment customers that have cleared their debt and have a good payment history to request that their meter is reconfigured to a credit type, without the need for a costly visit to exchange a meter. The process is also useful during the change of tenancy process, as it allows any new tenant with a prepayment meter to contact their supplier and have their meter reverted to a credit type.

Finally, we understand that a cash payment option needs to be provided for prepayment customers, as a proportion of society does not have a bank account or any ability to add credit via an electronic method. However, we strongly believe that there are financial barriers to entry which restrict new suppliers providing instantaneous cash payments to customers, although this is not an issue which is exclusive to prepayment, or Smart metering for that matter. It's therefore extremely difficult for new small suppliers to offer cash prepayment on a small forecast growth of customers of this type, as the initial and ongoing charges are prohibitive.



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

Ovo believe that small non-domestic customers should have the same benefits available to them as domestic customers to enable them to obtain the same benefits from a smart or advanced meter. The 'Non-Domestic Sector' document confirms that adding these meters would only increase the total meters interfacing with the DCC by an insignificant 8% (2.1 million electricity meters and 1.4 million gas meters) and wouldn't add an unmanageable amount of daily data to the current domestic forecast total. Also, larger domestic properties often have a similar yearly consumption to smaller non-domestic customers and supplies such as care homes and landlord supplies at domestic buildings are effectively domestic connections, although the supply may be viewed as commercial. It's therefore clear that smaller non-domestic supplies often have similar characteristics to domestic supplies.

We are not convinced with the argument that advanced metering has already begun to be rolled out within the small non-domestic market and this would lead to difficulties in aligning this sector of meters with the proposed domestic metering process. Surely it's better to mandate the future small non-domestic meter process now and prevent a two-tier service where only the domestic customers enjoy the benefits of Smart/advanced metering.

Allowing suppliers of small non-domestic customers to choose whether to use the DCC would lead to confusion within this sector, as it's not clear how suppliers during a CoS event would be notified whether the meter communicated via the DCC or not. How will suppliers know whether consumption data will be available on SSD via the DCC, or whether they will have to obtain password data from the old MOP/MAM to gain access this information? A two-tier system of this type could lead to suppliers actively steering clear of non-DCC meters, due to the added annoyance of having to obtain access to the meter, eliminating the Smart benefits of expediting and simplifying the CoS process. There is a risk that this could lead to a lack of choice and competition within the small non-domestic sector for customers with meters that do not communicate via the DCC.

Additional issues with a two-tier system include the need for separately mapped processes for the meters that do not communicate via the DCC, leading to a significant amount of additional work and possibly a delay in launching an industry agreed small non-domestic process offering. If small non-domestic customers are subject to a separate process compared to their domestic counterparts, the provision of Smart or advanced metering to this group will not provide them with all the benefits of this technology, as other industry processes will continue to shackle these customers to their current supplier and will be a barrier to changing supply company.



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The benefits of interfacing with the DCC are clear and bearing the above issues in mind Ovo believe that small non-domestic customers would be best served by having the same mandated process as the domestic customers.

This also provides a firm basis for future possible changes where registration and DC/DA functions could be brought under the remit of the DCC. Having an inter two-tier system between domestic and small non-domestic or an intra two-tier system within the latter sector where DCC is optional would prevent the non-domestic sector from benefiting from any of these future changes. Where DCC is optional there's the likelihood that there will be some form of unfairness based on costs, as small non-domestic DCC customers may continue to subsidise the old processes that will need to stay in-situ to support the non-DCC meters. Alternatively, it may be decided that non-DCC meters incur the full costs of separated processes, but this could produce a charging discrepancy between DCC and non-DCC customers.

Furthermore, obliging suppliers in the non-domestic market to use the DCC also has a benefit for the future roll-out of Smart grids, as there is then a higher likelihood that all meters and the attributed data are accessible to the grid. The alternative is that large numbers of small non-domestic customers will not have their data available via the DCC, which leads to an incomplete view to the Distribution companies controlling the Smart grids.

If there's industry agreement that the DCC is initially optional for these meters, there should at least be a minimal requirement for all non-domestic suppliers to have the ability to communicate via the DCC. It should then be mandated that any active meter on the DCC cannot be removed from this interface once it has been linked via this communication method. This then ensures that the number of small non-domestic customer interfacing with the DCC will increase in numbers. There should then be an agreed date for migrating existing advanced meters to the DCC, to enable these customers to enjoy the same future benefits as any existing DCC interfaced meter.

Finally, we understand that there will be exceptions in the area of small non-domestic meters, due to additional complexities, but we don't believe that all eventualities can be covered during the early rollout. It would therefore be sensible to have a reporting structure on these issues and look to resolve them towards the end of the mandated period for rollout.



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### CHAPTER 3

**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?**

Ovo are supportive of the proposal that the Smart meter rollout will be co-ordinated by suppliers. However, we would like to reiterate our comments from the first response letter where we highlighted the fact that smaller suppliers don't have the purchasing power of the larger ones which will place them at a disadvantage. We're also concerned that there may be prioritisation of MOP/MAM resource to the larger suppliers during any mandated rollout targets.

However, should there be any future requirement to replace the WAN communications model prior to the replacement of the Smart meter, there will need to be an agreement of who pays for the cost of the new hardware and the function of replacing the unit. This is because replacing the model may not be beneficial to the supplier, but may be deemed to be helpful to the Distributor in providing Smart grids. In this instance the supply company cannot be expected to incur this additional cost, which would ultimately have to be passed through to the customer.

We feel that there will also need to be a review of PEMS, as any emergency meter replacement will need to be mindful of the existing Smart metering solution and the communications device in-situ. The current process is only concerned with ensuring that the customer gets back on supply, which is likely to result in installing a dumb standard gas meter. There will therefore be the need for a subsequent visit to re-install a Smart meter, which results in a further interruption for the customer. The current PEMS process needs to be augmented to ensure a like-for-like Smart replacement, with the details of the new meter and any communication details returned to the supplier and the DCC (if this is required) within a short agreed time-scale. The supplier needs to be aware that the meter has been replaced within a very short period and communication with the new meter needs to occur quickly to ensure that consumption data continues to be available to the customer.





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**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?**

This seems to be a sensible approach and allows the quickest launch of a central communications hub for the industry. It would appear wise to get the essential activities functioning first and then look to discuss and phase any subsequent perceived roles that could be migrated to the DCC.

**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?**

Having read the 'Communications Business Model' document we are content that the DCC selection process has been thought through and seems to have covered the conflict of interest issue when appointing the DCC. The main cause for concern is the need for more than a single network provider, to ensure that the maximum number of meters can communicate by making use of the strongest network in a particular area. On the negative side the current suggested method would prohibit a communication provider from tendering for the main activity of the DCC, which may result in a reduction in the number of interested parties looking to undertake the main function.

Ovo are supportive of the DCC being a procurement and contract management entity, as long as there is a single point of accountability, to allow any issues relating to the function to be highlighted and resolved by one organisation. This reduces the need to escalate different issues with different service providers.

We wholeheartedly agree that DCC should not be allowed to provide any extra-industry or value-added services until all core functions have been implemented and strict SLA targets are being met.

**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)?**

Ovo are happy with a licence awarded via an application process to choose the DCC. However, we cannot comment on the Smart Energy Code without first seeing a draft of the document.

The selection process for the DCC and the set rules for choosing the service providers need to be extremely robust to ensure that the chosen companies will endure the length of the contract. Any loss of a service provided by the DCC due to the failure of one of the service providers, or even the



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DCC itself, would be a devastating event.

We understand the reasons for favouring a tendering process for the service providers to the DCC, but the rules need to be mindful that changing from one provider to another at the end of a contract term needs to be a seamless process. Suppliers cannot afford to have instances where communication with large numbers of meters is not available due to a badly planned migration process. A value for money contract is extremely important, but continuity of data and communication also needs to be top of the priority list.

We are supportive of the fact that charges will be at a set level and included as a schedule in the Smart energy codes, as this provides a level playing field for all suppliers, regardless of their market share. However, we do need to understand quickly the total cost of developing the DCC and how much the initial cost will translate into when apportioned by market share to the relevant suppliers. We would also question why these upfront costs are solely to be distributed via suppliers and not also apportioned via network operators, as there are obvious long term benefits provided to these companies via the DCC (paragraph 3.3 actually states that 'From the outset, DCC will support some smart grid-related functions required to provide better network data to inform planning and investment decisions').

**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?**

Please see our response to question 5, as we believe that small non-domestic customers should be obliged to use the DCC.

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

Ovo agree on the need for a separate Smart Energy Code to fully define the specification and standards for the metering and the commercial relationship between the various parties. This would appear to be a cleaner solution, as it allows all parties to be bound by a single specific code for Smart energy with a single governance arrangement. It also allows transparency for the additional costs relating to DCC services, as they will be aligned with this code.

We also welcome the fact that this code will bring together gas and electricity; a working relationship between both sectors is long overdue.





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**Question 14: Have we identified all the wider impacts of smart metering on the energy sector?**

There needs to be a discussion regarding suppliers potentially gaining a supply and exchanging the previously installed Smart meter for a Smart meter of their choice. There are no regulations to prevent exchanges of this type and this would appear counterproductive to the Smart philosophy of reducing emissions and ensuring that customers are not inconvenienced by unwanted visits and interruptions to their supply. Ovo would therefore like to see the replacement of an accredited Smart metering system prohibited under the Smart Energy Code. This will prevent the unnecessary exchange of working Smart meters, just to satisfy the processes of the incumbent supplier.

To backup this regulation we would like to see a maximum MAP rental charge set for each accredited meter, to remove the excessive cost justification for replacing an existing meter. This rental charge would need to be published for every accredited Smart meter and agreement would need to be reached as to whether these MAP charges should include an amortised installations cost over the life of the meter. This process has the advantage of limiting MAP charges to an agreed sensible level to reflect the cost of undertaking the standard installation of a Smart meter. This ensures that the new supplier following a CoS event does not have a cost incentive to replace the meter.

IGT gas MAM contracts may also be a major stumbling block to the roll-out of Smart metering to customers on these networks. These meters are usually given a life of 20 years and any attempt to change the MAM will lead to large termination charges being incurred by the supplier, based on the remaining life of the meter. Customers on IGT networks may be further disadvantaged in their choice of suppliers if this practice continues during the Smart meter roll-out, as companies may deliberately not register IGT customers. This would also affect the ability to install a Smart electricity meter, as suppliers will not want to replace one meter on a dual fuel supply, as this does not provide the required cost savings.

The prospectus also seems to have focused on operational issues and the logistics of delivering the DCC function to the industry. However, we also need to be mindful that there are industry data processes that will need to be augmented to ensure that they allow relevant information regarding the Smart meter to be conveyed to the appropriate parties. Most importantly there needs to be a review of the current DTC flows in electricity and the SPA & RGMA flows in gas. As well as potential changes to existing flows there may also be a need to construct and add additional flows to the current catalogues. In both these instances the timescales to deliver these changes are strict and it would therefore be prudent to start to consult on these required changes immediately.



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

From the data included in the prospectus it appears that security has been widely consulted on and all risks have been assessed. The main issue is likely to be convincing the public of the safety of Smart metering and that they're not going to be exposed to potential issues with regards to malicious attempts to access their data or disconnect their supply. These concerns, which are already being covered in the media, need to be addressed to ensure that the process of arranging and undertaking the meter exchange is embraced by the customer. A dubious and unconvinced public are not going to volunteer to have their meters replaced, which will make the roll-out of Smart metering a far more difficult proposition. There needs to be co-ordinated positive media coverage to promote the many benefits of Smart metering.

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

Yours Sincerely

