



Smart Metering Prospectus

Business Communications Model

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Q1 Do you agree that access control to secure centrally-coordinated communications, translation services and scheduled data retrieval are essential as part of the initial scope of DCC?

- Yes

Discussion to date - We have been actively involved with assisting Ofgem with its scoping exercise of the DCC. The proposed initial scope for the DCC matches closely to the option that npower supported in its response to Ofgem in early May 2010.

The long term - We believe that the long term plan for the DCC must be consistent with the long term plans for settlements in gas and power, and for smart grids. Whether Supplier Volume Allocation for settlements ultimately lives inside or outside the DCC is likely to be driven largely by the efficiency of alternative solutions.

Centrally-coordinated communications – This is the core function of the DCC

Translation services – This will be essential in order not to restrict supplier innovation, systems choices and new supplier entry.

Polled data retrieval – The detailed requirements around polling of data will be defined in the Detailed Design phase of the programme in January 2011.

Q2 Do you agree that meter registration should be included within DCC's scope and, if so, when?

- Yes
- This should include registrations for both Smart and Legacy meters
- Our preference is for full migration from Day 1, subject to detailed Cost/Benefit Analysis

We believe that DCC registration should be used as an opportunity to align the gas and electricity processes, particularly for change of supplier and change of agent. We believe that there are long term benefits that would arise from the simplification of Industry processes allowing the opportunity to harmonise gas & electricity and reduce the overall switching time for consumers

We recognise that the registration systems for gas and power are quite different, and that both are owned by the distribution companies/transporters, and have uses beyond registration of supplier.

We note also that the meter registration systems, and the views of them through ECOES (electricity) and SCOGES (gas) can and do have wider purpose and are the natural progenitors of the future registration systems.

It seems likely that the DCC database could be used for wider social purposes, for example relating to welfare and efficiency. Rather than extending this database to include extra information about consumers, buildings, Feed-in-Tariff installations, Green Deal status etc., the database could connect to other databases using primary key links.



We believe that, with the inclusion of all Registrations into the scope of the DCC from Day 1, the DCC will need to support Consumer facing activities such as a contact centre to enable customers to call in and establish who supplies their property and also in the cases of two suppliers to the property, who is the Lead Supplier. We would envisage this to be similar to that provided currently by the Meter Point Administration Service.

Q3 Should data processing, aggregation and storage be included in the DCC's scope and, if so, when?

Yes, in time. However it should only be considered after a full Settlements review has occurred.

- Data processing – yes, in time
- Data storage – possibly
- Data aggregation – dependent on storage

Whilst the DCC will be set up principally for the purpose of data carriage, The Smart meter rollout and the DCC entail an industry redesign and the opportunity to solve a number of legacy issues that have patched together the processes for the market liberalisation which begun in 1998.

In the very simplest sense the Smart meter, the supplier's billing/IT system, and the DCC redefine Data Retrieval, from a physical visit, to a meter read which may be scheduled or polled.

Data processing – Data processing can be described as a spectrum of activity. The first check is that the meter is the same as it was at the last read. This is ideally done by a check of the serial number of the meter. Thence the most basic test is that the meter has not gone backwards. There are then further tests, such as nil advance, and then with increased sophistication such as tolerance relative to the last read, or two reads, etc.. The ability of a Smart metering system, combined with DCC, to perform high quality data processing, with the flagging of exceptions, is very much greater than the existing system. It would be wasteful not to use the opportunity to flag exceptions, however the fundamental question remains, how to process exceptions. Therefore the DCC would need an exception management function. This would be too much to include in the early scope of the DCC.

Data storage can be done at a number of degrees of resolution. Whilst for any one meter point, the storage of 12 reads per year, rather than 17520 halfhourly reads for electricity or 365 for gas, seems a light requirement, this still means about 5 billion data elements per year, to go with the associated fields (meter point administration/registration number, meter serial number, read date etc.) to make complete records.

Data aggregation – Data aggregation is summation of all meter read advances within a standard settlement class within a particular Grid Supply Point (GSP). This is required to settle the supplier's energy/imbalance account in electricity. Gas does not have an aggregation agent as a separate role but xoserve serves a similar function, as the Annual Quantities (which are driven by actual reads submitted by suppliers during the previous year in combination with End User Category EUC) are fed into Reconciliation by Difference (RbD) for aggregated settlements purposes. Data Aggregation should only be included within the DCC after a full Settlements review has taken place. We note that aggregation could have extended functions, such as aggregating at actual half-hourly (electricity) / daily (gas) level rather than by using profiles.



Q4 Do any measures need to be put in place to facilitate 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?

- We are generally uncomfortable with the interim period
- The interim period should be as close as possible to the final solution

Interim period - We are uncomfortable with the interim period as it represents a degree of cost and risk to both Suppliers and Customers that has not been assessed fully. We understand the drive to begin the rollout but feel that controlled market start up with a low volume of meters would better manage the risks. This approach would allow for all relevant learning to be shared and absorbed by all parties involved in the broader programme and processes to be improved and refined.

Transition from interim and enduring - The interim solution should be as close as possible to the enduring solution as the risk of implementing a change programme for a very different DCC model during the accelerated rollout phase of the Programme is great.

Arbitration - We believe that during the transition from Interim solution to the Enduring DCC that there will need to be an arbitration function to resolve issues where neither supplier to a premise believes that they are the Lead Supplier. This is yet another example of the additional administrative and operational impact caused by “baking in” the concept of Lead Supplier into the Industry.

Q5 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

We support this but feel that the DCC licence should include the option to expand its remit without the license having to be “re-issued”. Given our understanding of what we believe the scope of the DCC should include, we welcome detail from Ofgem as to how they plan to regulate & manage the Procurement & contract management aspects of the DCC.

We do not believe that the DCC should own the governance of the Smart Energy Code

Q6 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?

- Yes, it should be a separate company.
- Its risk of failure should be minimised absolutely

Minimisation of failure risk – We believe that any performance bond should not be limited to compensation for failure, and such compensation should exceed by far the contract value. We believe that the guarantee should extend to putting any failures right, and to doing so in a timely fashion. We recognise that such a requirement may in practice limit valid tenders to consortia of physical players with at least one entity of large size. In our experience incentive



based regimes are more effective in delivering good performance than liability based regimes.

Independence - The DCC must be independent in order to manage a robust and transparent procurement process for the services required by Industry.

Q7 Do you have any comments on the steps DCC would need to take to be in a position to provide services and the likely timescales involved?

- We support a long term stepwise approach

Staged development – the energy supply industry is extraordinarily complex and has developed many solutions that patch up the various issues. We believe that whilst the DCC can implement a fresh design, that this needs to be in controlled stages, such as scheduled data reading, polled data reading, meter registration, data processing etc..

Timing - Given the breadth of services that the DCC is likely to procure, to provide a seamless service to the Industry, in our view the timescales (6 months from licence being awarded) seems optimistic. We do concede that the broader the scope of the Day 1 DCC the higher the pressure on the Q3 2013 go live date.

Testing and trials - In addition to procuring services the DCC must ensure that it undertakes thorough testing and trials to ensure that the broader rollout will not be compromised. Lessons learned in the pre-DCC period should be incorporated, perhaps by consultation. We support incorporation of registrations into the DCC and prefer bulk migration from legacy systems rather than just registering new meters. At the same time, we recognise the challenge of this activity and concede that a staged approach may be more practical.

Due diligence - The DCC must ensure all of its contracted communications and data service providers are put through rigorous and transparent due diligence processes.

Q8 Do you have any comments on the proposed approach to cost recovery and incentivisation for DCC?

We generally support the Risks and incentivisation approach detailed in prospectus (communications business model P37)

