

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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15<sup>th</sup> September 2010

Margaret Coaster  
Smart Metering Team  
Ofgem E-serve  
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SW1P 3GE

Dear Margaret

Smart Metering Implementation Programme – Prospectus Consultation response to questions for response 28<sup>th</sup> September 2010.

I refer to your consultation request 27<sup>th</sup> 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.

If you require further clarification, please do not hesitate to contact me.

Yours faithfully



Meter Fit

## **SMART METERING IMPLEMENTATION PROGRAMME - PROSPECTUS**

### **Chapter 2**

**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?)**

A new code that encompasses all the aspects of the Gas and Electricity Codes to bring them together as best practice would be welcomed. It is unnecessary to re-write both codes but encompass new concerns such as dual fuel, the sales activity and up-front charging for the Meters. The code should also outline the benefits of the smart meter, and that specific instruction/help would always be available from their suppliers/Ofgem

### **Chapter 3**

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

No the functional requirements are wide enough to allow scope for Smart Grids and other value added services.

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

The technical specification exercise needs to be accelerated. This will in turn bring forward the discussion on the process for Commercial interoperability. By addressing these issues quickly the acceleration of the programme can be begin with the certainty required by the Meter Asset Provider to fund these meters reducing the stranding risk on churn and ultimately the cost to the consumer.

**Question 16 - Do you have any comments on the proposals for requiring suppliers to deliver rollout of smart meters (including the use of targets and potential future obligations on local co-ordination)?**

We support the supplier lead roll out. To achieve an efficient roll out, the suppliers should be targeted and incorporate appropriate local coordination. The end result however needs to provide a suitable tranche of meter replacements to ensure a least cost as possible roll out. The size and speed of replacement will have impact on Meter Asset Providers.

### **Chapter 4**

**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?**

Meter Fit is very supportive of the staged approach preferred by Ofgem. In choosing this approach we need to be mindful of the following issues:

1: Commercial interoperability needs to be agreed by early 2011 to support the pre 2012 investment in Smart Metering by Meter Asset Providers. Suppliers are forging ahead with their Smart Metering programmes and achieving early understanding and agreement on the interoperability under churn events is vital to reducing stranding of Smart Metering assets and reducing the cost of funding Smart metering programmes which will ultimately benefit the consumer.

2. Meter Fit has always supported any Ofgem initiatives to create competition and have been an active Meter Asset Manager and Meter Asset Provider in the market since 2002. We would propose that any changes should be made within the competitive framework should consider the impact these would have asset funders as ourselves. We are particularly concerned about 'dumb' meter stranding and the impact this could have on companies, such as ours, to raise funds at competitive rates to support Smart Meter rollout..

**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?**

Any measures that can be implemented to bring forward the Smart meter standards and commercial interoperability timeframe would support Meter Asset Providers confidence to place orders to assist the Meter Manufacturers, this in turn would reduce the time, risk and cost to all parties as there would be certainty over the standards and churn risk. This can only lead to reduced costs to the consumer.

Suppliers need to progress with substantive change programmes as soon as possible; this will allow MAPs to procure funding in suitably sized tranches to minimise funding costs.

Rollout could be accelerated if the risk of stranding on existing dumb stock was removed or mitigated for the asset owner. As a commercial asset owner, we have been a key player in accelerating competition in both gas and electricity smart metering and this is essential to maintaining a competitive business model

**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?**

The technical specifications have been discussed over the last 3 years; there is broad agreement on these as specified in the prospectus. The focus should now be on ensuring that the meters can function on churn to ensure that investment risk is minimised allowing manufacturers and funders to get the best costs possible on provision.

Assurance that these early adopted meters would be covered in DCC and would not have to be changed out post 2013 mandation would also be beneficial to reducing risk.

**Question 20 – Do you have any comment on our proposed governance and management principles or on how they can best be delivered in the context of this programme?**

Timescales need to be reduced as some Suppliers have already started to rollout in substantial numbers. Meter Fit alone has fitted circa [40,000 – to be redacted] Smart meters in 2010. Reducing the timetable reduces uncertainty and reduces the risks and costs associated with the purchase and delivery of the smart meters.

All parties need to be mindful that while timescales for introduction of Smart are challenging the impact of not moving forward as quickly as possible affects the “business as usual operation”, funding, meter manufacture and Suppliers as there is a reluctance to replace/fund existing meters with new meters as this will impact any stranding issues post 2012/13.

## **Smart Metering Implementation Programme – Statement of Design Requirements**

### **3. Overview of the Smart Metering System Functional Requirements Catalogue**

**Question 1 - Should the HAN hardware be exchangeable without the need to exchange the meter?**

Yes if the costs of such exchanges can be justified. HAN communications are relatively stable and are likely to provide adequate functionality over the life of the Smart Meters.

**Question 2 - Are suitable HAN technologies available that meet the functional requirements?**

Various HAN technologies are available and currently being developed by various manufacturers. Most of these should be capable of meeting the requirements of the Smart Metering.

**Question 3 - How can the costs of switching between different mobile networks be minimized particularly in relation to the use of SIM cards and avoiding the need to change out SIM's?**

Switching of SIM's is the 'norm' in the mobile phone industry. There will need to be an agreement (facilitated by Ofgem) with providers that allows the Sim to be utilized on any network with the same number. Therefore any obstacles are commercial.

**Question 4 - Do you believe that the Catalogue is complete and at the required level of detail to develop the technical specifications?**

Yes, any further refinement will lead to unnecessary delays.

**Question 5 - Do you agree that the additional functionalities beyond the high level list of functional requirements are justified on a cost benefit basis?**

We believe that the additional functionality are required to provide the best cost saving to the consumer by keeping the meters at a reasonable cost, notwithstanding the impact of dumb asset stranding in pricing.

**Question 6 - Is there additional or new evidence that should cause those functional requirements that have been included or omitted to be further considered?**

No

### **5. Achieving Technical Interoperability**

**Question 7 - Do you agree that the proposed approach to developing technical specifications will deliver the necessary technical certainty and interoperability?**

Meter Fit agrees that Option 2 is the best approach to achieving technical certainty and interoperability

**Question 8 - Do you agree it is necessary for the programme to facilitate and provide leadership through the specification development process? Is there a need for an obligation on suppliers to co-operate with this process?**

It is absolutely necessary that the programme facilitates and provides leadership on the development process. It is also essential that Suppliers (and or their agents) are obliged to participate in this process. Failure to engage suppliers would delay the agreement of the specification and ultimately the programme.

**Question 9 - Are there any particular technical issues (e.g. associated with the HAN) that could add delay to the timescales?**

N/A

**Question 10 - Are there steps that could be taken which would enable the functional requirements and technical specifications to be agreed more quickly than the plan currently assumes?**

The industry has already made considerable progress developing the functional and technical requirements, through ERA, ENA and by British Gas. Therefore, plan could be accelerated taking into account the work already completed and focus on any technical issues that Ofgem/Industry needs to address. It is vital that the process is not delayed going over issues that have been discussed at length over the past few years in the ENA and ERA forums.

## **SMART METERING IMPLEMENTATION PROGRAMME-ROLL OUT STRATEGY**

### **2. Approaches to Rollout**

**Question 1 – Do you believe that the proposed approach provides the right balance between supplier certainty and flexibility to ensure the successful rollout of smart meters? If not, how should this balance be addressed?**

Meter Fit believes that the proposed approach gives the suppliers certainty whilst allowing flexibility. It is essential that meters that are interoperable and installed prior to the mandation are protected from removal and Ofgem need to issue comfort to those suppliers rolling out earlier that those meters will be adopted by DCC in 2013 and will not be removed.

We do however believe that resolving the issues of dumb meter stranding/disposal and interoperability will contribute to the successful rollout of Smart meters.

**Question 2 – Would the same approach be appropriate for the non-domestic sector as for the domestic sector?**

No comment

**Question 3 - Is there a case for special arrangements for smaller suppliers?**

Meter Fit does not support special cases for smaller suppliers. The rollout strategy should give maximum flexibility to all suppliers in a supplier led environment as roll out will be driven by a number of factors such as the age of meters to be replaced, focusing on particular consumer groups/local communities etc..

### **3. Mechanisms for General Consumer Engagement**

**Question 4 – What is the best way to promote consumer engagement in smart metering? As part of broader efforts, do you believe that a national awareness campaign should be established for smart metering? If so, what do you believe should its scope and what would be the best way to deliver it?**

Meter Fit supports a national awareness campaign, however in the Supplier led model we feel that the Suppliers are best placed to drill down with the customers to allow them to differentiate their offerings. We believe that there should also be an overarching national campaign by DECC/Ofgem and needs to have a sufficiently robust message that this roll out must happen.

**Question 5 – How should a code of practice on providing customer information and support be developed and what mechanisms should be in place for updating it over time?**

No comment

### **4. Obligations on Suppliers to Complete the Rollout**

**Question 6 – Do you agree with the proposed obligation on suppliers to take all reasonable steps to install smart meters for their customers? How should a completed installation be defined?**

Ofgem need to clearly define the roll of all market participants and as such obligations on the Suppliers (as in the Supplier Hub principle) will ensure that numbers and targets are defined, providing more surety to the Meter Asset Providers, manufacturers therefore reducing costs to the consumers.

A completed installation should be defined which aligns with the minimum functionality being enabled so that the customer gets the full benefits of smart metering.

**Question 7 – Do you think there is a need for interim targets and, if so, at what frequency should they be set?**

Targets are welcomed as they create a market for smart meters which in turn should translate into reduced costs in terms of Meter Asset Provision, Manufacture and workforce management.

**Question 8 – Do you have any view on the form these targets should take and whether they should apply to all suppliers?**

Targets should be commensurate with the market share, taking into account density of customer base but should in principle apply to all Suppliers. However, targets for smaller suppliers could prove to be uneconomic and reduce the number of Suppliers in the market.

**Question 9 – What rate of installation of smart meters is achievable and what implications would this have?**

Any acceleration in the market is welcomed by asset owners, however Ofgem must consider the impact of smart on the current business models of these commercial entities who facilitated the roll out of the competitive market and the impact of stranding those assets. It is imperative that any smart meters installed prior to 2012 mandation and that are interoperable will be adopted by DCC in 2013. Meter Asset Providers would need assurance around Smart to facilitate the ability to raise future funding.

## **5. Prioritisation of Specific Consumer Groups**

**Question 10 - Do you have any evidence to show that there are benefits or challenges in prioritizing particular consumer groups or meter types?**

Meter Fit does not consider there to be tangible benefits in targeting or prioritizing particular customer groups. This will slow down the installation programme and be less productive, thereby increasing the costs of the rollout. However, in the cases of late adopters in certain geographical areas or customer groups it may be necessary near the end of the programme to put together a programme to ensure that these groups are captured.

## **6. Reporting Arrangements**

**Question 11 – Do you agree with our proposed approach to requiring suppliers to report on progress with the smart meter rollout? What information should suppliers be obliged to report and how frequently?**

Reporting is essential to monitor against the targets (both numerical and social).

Reporting should be based on physical numbers of smart installations, split by dual fuel and single fuel.

Reporting will accelerate rollout as it forces competition and also allows Ofgem to monitor the social impact of smart meters, and a comparison with the CBA.

## **7. Consumer Issues**

**Question 12 – Do you agree that there is already adequate protection in place dealing with onsite security or are there specific aspects that are not adequately addressed?**

No comment

**Question 13 – Do you agree with our proposal to require suppliers to develop a code of practice around the installation process? Are there any other aspects that should be included in this code of practice?**

The installation process should be a development of current industry codes such as MAMCoP incorporating elements pertinent to Smart. Not all smart installations will be carried out in the same way so a broad overview of minimum requirements for the installation of Smart meters is welcomed whilst not restricting the competitive market.

As an asset owner we would look for the code to include minimum handling standards for installation and removal of Smart meters. This would remove the possibility of 'rogue' operations and meter damage.



## **Smart Metering Implementation Programme – Implementation Strategy**

### **2. Programme management and governance**

**Question 1 - 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?**

Meter Fit supports the proposed governance and management principles.

### **3. Programme activities**

**Question 2 – Are there other cross-cutting activities that the programme should undertake and, if so, why?**

Meter Fit supports the outlined cross-cutting activities but has reservations with regard to the Stakeholder engagement and membership of those groups. One key group, the commercial Meter Asset Provider do not appear to have been engaged fully by Ofgem in the process.

Key input from a substantial commercial asset owner is essential so that Ofgem gains a complete understanding of the issues faced by this key delivery partner relating to the provision and funding of the assets and to explore how the risks for the provision of Smart meters can be mitigated.

As MAP only organisations currently have no industry body or trade association group that currently represents this key delivery partner, Meter Fit urge Ofgem to seek the views and opinions of this group to support the rollout of Smart meters.

### **5. Implementation plan for regulatory framework changes**

**Question 3 – Do you agree with our proposal for a staged approach to implementation, with the mandated rollout of smart meters starting before the mandated use of DCC for the domestic sector?**

Meter Fit believes that the proposed approach gives the suppliers certainty whilst allowing flexibility of delivery. Lack of commonality across the gas and electricity industries makes it harder to secure investment in meters, especially in Gas as the investor is not recognised as a valid market participant.

We do however believe that resolving the issues of dumb meter stranding/disposal, interoperability and industry governance across both fuels will contribute to the successful rollout of Smart meters prior to the mandated use of DCC.

**Question 4 – Do you have any comments on the risks we have identified for staged implementation and our proposals on how these could be best managed?**

Barriers linked with old legacy governance and industry practices that are not consistent across the electricity and gas industries need to be addressed, these are;

- Governance and structure of Gas and Electricity industry
- Recognition of the changing markets, different market roles and barriers to investments
- Greater transparency in the provision of data to recognised market participants

Meter Fit has installed a significant number of domestic gas and electricity smart meters. There are no commercial agreements covering smart in the event of supplier churn. This represents a substantial risk to any investor (MAP) funding meters for the smart meter roll out prior to full interoperability in 2013. The MAP is in all instances exposed to the difference in capital costs between smart and dumb rentals.

We believe that Ofgem should consider the current commercial model for delivery of both Smart and Dumb meters is derived from the fact that the MAP invests in the procuring of the meter asset and installation, and recovers this cost via an amortised amount as meter rentals over the economic life of the meter.

Any lack of interoperability prior to 2013 will also have potential effects on the consumer on churning to a new supplier, in our experience a typical example is;

- Customer is a smart prepayment customer for Supplier 1 and decides to switch to Supplier 2. On churn prepayment smart meters are configured such that Supplier 1 has to change the meter into dumb credit mode. Supplier 2 on gaining the consumer would think via industry data it was gaining a prepayment customer; however in reality they have gained a smart meter dumbered down into credit mode; therefore increasing the risk of debt to Supplier 2; and in most cases will almost certainly result in a meter change so that a prepayment meter (dumb or smart) can be re-installed.

In the above scenario this is a significant asset stranding risk to the MAP as the smart meter may well be removed by Supplier 2 creating a stranding risk to the MAP. We believe this is very detrimental to development of smart meters, and that Ofgem should develop a mechanism to encourage Suppliers to keep smart meters on the wall while recognizing the differential in rentals/investment incurred or lost between smart and dumb meters prior to DCC implementation in 2013.

Interoperability is a key principle of the market model chosen for smart programme. That means the avoidance of meter replacement on the change of supplier which, in turn, makes it essential that data on the ownership of the meter is fully aligned across the industry. If this does not happen then the risk of ownership increases which then in turn increases the cost of providing the meters.

Given the smart metering programme is due to start in 2012 pre DCC, then it would seem reasonable that the MAP must be informed of any changes to current assets, many of which may still be on the wall up to 2020.

As the accelerated rate of meter exchanges increased as the industry embarks on the smart meter programme this makes it more critical that the MAP is a recognized market participant and is fully consulted in the Ofgem programme of engagement.

**Question 5 – Do you have any other suggestions as to how the rollout could be brought forward, including the work to define technical specifications, which relies on industry input?**

No comment

**Question 6 – Do you agree with our planning assumption that a period of six months will be needed between the date when supply licence obligations mandating rollout are implemented and the date when they take effect?**

This is reasonable as it does not restrict a supplier from entering the market earlier than the mandate.

**Question 7 – Do you have any comments on the activities, assumptions, timings and dependancies presented in the high-level implementation plan?**

To facilitate the accelerated rollout and to create more certainty in areas such as interoperability then Meter Fit would consider it prudent to start work on the regulatory framework for DCC considerably sooner than Spring 2012. Any shortening of this timeframe would considerably reduce costs for the provision of smart meters and would provide a comfort to lenders on the potential for differential in rentals/investment incurred or lost on smart investments prior to DCC implementation in 2013.

**Question 8 – Do you have any comments on the outputs identified for each of the phases of the programme?**

Meter Fit supports the outputs identified from each of the phases of the programme and would encourage an earlier start for the DCC to reduce potential risks associated with asset provision prior to 2013.

Any changes to the Regulatory framework must include all market participants, including the Meter Asset Provider. Current restrictions on information provided to manage these assets must also be reviewed. This will reduce the risk of provision of Smart meters, thereby ultimately reducing costs to the consumer by mitigating non recovery of rental from those assets.

  
Meter Fit