



Margaret Coaster
Smart Metering Programme
Ofgem
9 Millbank
London
SW1P 3GE

5 November 2010

Dear Margaret,

SMART METERING PROSPECTUS – SECOND ROUND SUBMISSION

I have pleasure in providing ScottishPower's response to those questions in the Smart Metering Prospectus dated 27 July which were requested for inclusion in the second round response. As with our September response, I am writing on behalf of both our energy retail and electricity networks businesses.

Following completion of a detailed review of the entire Prospectus, we would like to take this opportunity to draw your attention to a further number of important observations which are in addition to those provided in September:

Data Privacy & Security

We recognise that robust data privacy and security measures are critical to the success of smart metering in Great Britain and support the principle of customer data ownership, though this should not prevent the supplier and network operator having full access to the data for appropriate purposes. It is unclear how we can move to smarter grids and settlement processes if customers can choose whether to make their metering data available.

We would recommend that the safeguards set out in the Data Protection Act remain appropriate, in the context of smart metering, and should be fully factored into technical design (interim or enduring) from the outset to ensure that the use of customer data is fair, secure and in accordance with their rights.

In terms of areas where we believe further detailed assessment is required, we would recommend the central Programme determines the most appropriate and secure method of data storage and customer access to their data (i.e. at the IHD, at the meter or via a secure DCC facilitated service). It will also be essential to ensure the system is robustly protected against fraud and cyber vandalism or attack. We look forward to the opportunity to contribute further to this area of the central Programme based on the recent invitation to attend the Security Working Group.

Consumer Protection

We believe that existing consumer protections are sufficient and should be retained. However, we recognise that the initial complexity of services pre-DCC and in the initial

stages of DCC start-up should be minimised to reflect a 'controlled market start-up' approach and protect consumers from confusion. This may mean delaying services such as Pre-Payment (which may in any event need more technical work before they are fully defined) until the market has confidence in basic smart metering services.

We support the Programme's intentions to establish an independent national smart metering brand to support the key points raised above.

Regulatory & Commercial Framework

While we agree that the key elements of the smart metering regime have been considered we believe it is imperative to ensure that the framework provides 1) an appropriate level of commercial focus on the management of appointed service providers and 2) an appropriate level of focus on the management of the Smart Energy Code which we believe will have a wider scope than that of the services provided by the DCC.

It will also be necessary to consider any consequential impacts on network price controls, particularly the impact on losses for electricity DNOs if the power consumed by the WAN communication module and the meter itself is not accounted for. There will also have to be adequate overload protection measures to deal with any fault in the WAN module.

The utilisation of shared infrastructure in the smart metering system poses several commercial interoperability challenges both for the provision and maintenance of IHD's and WAN communications modules. It may make sense for the DCC to own the WAN Communications Module and further work may also be required to develop suitable arrangements for IHD commercial interoperability. A clear process will have to be developed for dealing with faults in the HAN, as customers will not welcome multiple visits from different parties each saying that another party's equipment is at fault.

We recommend that smart meters installed in the interim period must comply with an agreed standard before being accepted into the DCC to ensure appropriate levels of data privacy, security and data protection to guarantee future interoperability. We also think that while GPRS communications technology is good for trials, it may have limitations which would be adverse for the eventual roll-out. The DCC's specification should not be constrained by the need to work within any limitations of GPRS if better technologies are finally chosen.

IHD

We are generally supportive of the minimum functional requirements for the IHD. However, a requirement to display current balance information could prove technically challenging and costly. There could also be issues of data privacy and customer confusion. We would welcome further analysis of this requirement. We also believe that the presentation of gross generation and/or export volume should not be a requirement of the minimum specification for the IHD as this would raise costs for customers without micro-generation.

There are also significant concerns regarding the commercial interoperability of IHD's and we would suggest that these items are considered separately from communications modules or meters. Due to significantly shorter asset lives (potentially less than 1 year) and their vulnerability to stranding on Change of Supplier we would welcome further consideration, beyond technical specifications, of how to improve the level of commercial interoperability associated with IHD's.

Non-Domestic Sector

We believe that use of the DCC should be mandatory for both domestic and non-domestic smart meters to ensure that a single smart metering process can be adopted, to deal with premises which switch between domestic and non-domestic use, and to minimise industry

complexity. Of equal importance, for future smart grid requirements, is the sourcing of smart metering data from a single point relating to the current sub-station infrastructure mapping, rather than a potential situation where there is a reliance on suppliers to populate data into the DCC on a real-time basis.

Next steps

In line with our previous commitments, we will continue to commit appropriate resources to support the central Programme, both in terms of overall governance and in support of the various groups and on-going requests for information.

We would welcome the opportunity to discuss our full Prospectus submission once you have had sufficient time to reflect on our key points. In the meantime, any questions should be addressed to [REDACTED]

Yours sincerely,

[REDACTED]

[REDACTED]