



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

29 September 2010

Dear Margaret,

### **SMART METER PROSPECTUS – INITIAL RESPONSE**

Thank you for the opportunity to respond to the Smart Metering Prospectus dated 27 July. ScottishPower has significant energy retail and electricity networks businesses and I am writing on behalf of both of them.

We have welcomed the Prospectus and the additional clarity that it provides, and are pleased to have the opportunity to participate in the relevant expert groups that have been established. In particular, we are supportive of the work to date on the design requirements for the smart meter system and the scope and services of the DCC.

Following our detailed review of the Prospectus, there are however a few points where we believe that that further focus and analysis should be directed:

#### *Roll Out & Implementation*

We welcome Ofgem's proposed approach for a market led deployment of smart meters. However, there are a number of key issues during roll out which should be considered, especially as respects how they could impact consumers, either through costs or technical failure:

- 1) the end to end smart metering supply chain and the mass availability of individual components and resources;
- 2) the risks associated with installing large numbers of meters before the DCC is fully established (both technical and commercial) with regard to interoperability and enduring compliance with standards which will be subsequently established;
- 3) the commercial complexities surrounding 'Lead Supplier' responsibilities upon meter installation and the assurance that this model can be effectively managed; and
- 4) remaining uncertainty that the method of roll out may be revised at a later date with the introduction of target groups, which may compromise the chosen roll out models resulting in increased costs to the consumer.

We support a fast roll out but believe that excessive haste, especially before the DCC is established, may exacerbate the risks outlined above, potentially leading to higher costs and poor service for consumers. We would therefore welcome a full risk assessment of roll out timing and suggest a period of “controlled market start up” to manage risks in the early phases of roll out.

#### *Design Requirements*

We fully support the approach taken by Ofgem with regards to developing design requirement recommendations, for both the DCC and Smart Metering system, and welcome the opportunity to contribute further to these design requirements by participation in the relevant expert groups.

Security is a key concern for the delivery of the programme and we welcome the establishment of the PSAG. We would welcome the opportunity for industry to participate in the PSAG to ensure consistency of privacy, security and fraud prevention requirements across the end to end solution.

#### *Smart Metering Strategic Design Authority*

We believe that formally establishing a Strategic Smart Metering Design Authority within the Programme governance structure (aligned with the Programme Board and Implementation Coordination Group) would provide increased confidence amongst stakeholders of a controlled robust industry design baseline and the application of the necessary rigour to maintain realistic scope and development costs.

#### *Consumer Engagement/Protection*

We are supportive of an independent national campaign to support consumer engagement alongside our own consumer engagement activity, though we need to understand the associated scope and costs of such an approach.

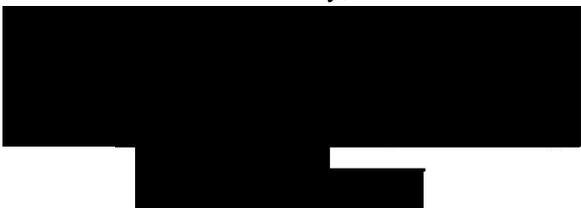
The risks identified with regard to the phased implementation approach, prior to the DCC being established, pose significant challenge to gaining and sustaining consumer engagement and support – risks which could be exacerbated by unduly accelerated roll out. Consumer engagement/protection must therefore remain a critical consideration when undertaking a detailed risk assessment of the proposed rollout strategies.

#### *In conclusion...*

As key stakeholders, we will continue to commit appropriate resources to support the successful completion of Phase 1, both in terms of overall governance and in support of the various expert groups and related activities. For now, I attach an initial detailed response which we would expect to add to for your second deadline of 28 October.

We would be keen to discuss our response further once you have had a chance to digest it. In the meantime, any questions should be addressed to me (using the details printed on the first page), or to Ross Mackie on 0141 568 3262.

Yours sincerely,

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