

## Response to Smart Metering Prospectus questions FOR



**October 2010**



[REDACTED]

28/10/2010

## 1. Overview

We have only provided answers to questions within documents where, as an organisation, we felt our opinion could be relevant and constructive. In some cases, the answers we have provided also mirror similar information requested in other documents/questions.

## 2. Prospectus (220) questions

*Question 1: Do you have any comments on the proposed minimum functional requirements and arrangements for provision of the in-home display device?*

A1: We believe that minimum functionality should include 2-way communication. This would avoid IHDs needing to be replaced if a pre-payment customer needs to use it as an interface with the meter (for example where a top-up credit has not been recognised by the meter due to comms issues and the customer needs to input the details directly to avoid disconnection).

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

A2: We agree with the fundamental premise that the customer has a right to their own data and that access to this data should not be subject to supplier permission since this would provide suppliers with a 'sales opportunity gateway' and therefore an unfair advantage in a competitive market to provide energy advice.

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

A4: As part of a SMDG sub-group (representing ESTA), the issue of disconnection where a local generation system (such as PV) is present has been identified as requiring a variant solution. In such cases, a customer whose pre-payment credit expires would normally be disconnected, under these circumstances the PV system would also stop generating (no-volt relay) thus denying the customer access to a level of 'free' electricity which is not dependant on outstanding credit with the main import supplier. Solutions such as load limiting as opposed to complete disconnection have been discussed and work is still ongoing regarding this issue.

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

A5: Since the functional specification of smart meters will be driven by a combination of mass domestic market requirement and cost, there will undoubtedly be a limitation on areas of functionality such as local data access (e.g. pulse output, HAN port). For this reason we believe that non-domestic customers should retain the choice (both now and in the future) of additional functionality to suit their needs and that such flexibility would be accorded by removing the 2014 cut-off date for the installation of advanced metering. Non-domestic customers who wish to have additional functionality after this date will be unable to do so unless they meet the current exception criteria. Removal of this cut-off

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date should not impact supplier data retrieval for billing since systems will be in operation for those advanced meters installed before this date anyway.

*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?*

A9: We agree with the proposed 'thin' model for DCC as this both provides an easier transition by dovetailing with existing industry systems and processes as far as possible whilst also maintaining a competitive market for customer, supplier and DCC support services. We do, however, believe that for the non-domestic customer, the ability to exercise choice over their data retrieval agent (be it DCC or other accredited agent) should be retained and not passed over to the supplier to decide. This will ensure open competition, innovation and also act as a benchmark against 'intra-DCC' performance.

*Question 10: Do you have any comments on the proposal to establish the DCC as a procurement and contract management entity that will procure communications and data services competitively?*

A10: We believe that a balance will need to be struck between minimising cost and maximising performance. Procuring services through multiple suppliers will help to minimise risk at this early evolution stage, drive innovation through benchmarking and competition as well as allowing specialism to develop such as where non-standard solutions are required.

*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?*

A12: The choice of DCC service utilisation for non-domestic customers should be primarily with the customer and then with the supplier only if the customer decides not to exercise their power of choice. To do otherwise would allow suppliers to potentially enforce DCC use upon business organisations who may wish to consider service packages available from the competitive marketplace.

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

A13: We agree with the principle of bring governance together under a single Smart Energy Code. As well as ensuring the standards and security of service delivery, the code should also support innovation and competition in the appropriate areas (i.e. areas not directly delivered by the DCC itself).

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

A14: One of the issues we believe has not been highlighted is the potential impact on supplier billing arising from the meter exchanges. There will undoubtedly be a number of meters removed which, for a variety of reasons, have not been read for a considerable period. During this period the customer is likely to have been receiving estimated accounts. Also during this period the customer may have changed supplier – with CoS

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readings also having been estimated. Upon physical removal of the old meter (when installing new smart), an actual read will be secured. Depending upon the accuracy of the industry estimates, this reading may not validate through agent processing systems. Thus current suppliers will be facing the possibility of closing down the old meter on an estimated reading despite having an actual read available. For customers, the idea of accounts not actually being reconciled against the actual meter reading may also prove unacceptable. This may increase pressure on suppliers to seek correction through the settlements system in order to 'set the books straight' without loss. We believe that consideration should be given to providing guidance to suppliers on this type of account unwinding in order that the customer is not unfairly treated.

### 3. Communications Business Model (226) questions

*Question 1: 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?*

A1: Whilst we agree that access control to centrally-coordinated communications is a key DCC role, our experience in downloading data from advanced/automatic meters suggests that there is adequate experience and expertise in the current competitive marketplace to undertake scheduled data retrieval and to manage head-end systems. It is not in meter manufacturers' interests to make their head-ends unobtainable, obscure or ineffective and there are numerous companies offering 1-stop-shop systems incorporating multiple translation systems. Agents will continue to provide cost-effective services in the advanced meter market and, notwithstanding a secure communication system, could have been extended to the entire NHH market.

*Question 2: Do you agree that meter registration should be included within DCC's scope and, if so, when?*

A2: We agree that such a centralised registration system makes sense. Key to the timing will be the ability to improve the quality of the information held. A large scale meter roll-out is an ideal opportunity to correct (rather than compound) erroneous data within the industry. Such correction is not itself reliant on having the new system in place and so establishment should depend more upon the DCC establishing a reasonable start-up and steady state operations before being tasked with such a change-over.

*Question 3: Should data processing, aggregation and storage be included in DCC's scope and, if so, when?*

A3: We do not believe that DP/DA and storage need to be included within the DCC's scope. Such a move would further erode the competitive market and stifle innovation at a time when flexibility and development is needed more than ever.

*Question 4: 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?*

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A4: A key issue in encouraging the roll-out prior to DCC service availability will be providing more certainty to those organisations funding early asset provision. If such certainty can be provided, risk premiums will be lower and asset rentals more competitive. There are two aspects to providing more certainty – removing any financial incentive to change these early meters on either communications cost grounds or asset rental grounds. The former is somewhat easier as the DCC (when established) could smear all communication costs (subject to volume of data) across a set of standard charges – we agree that the DCC should have an obligation to take on existing communications contracts. This way a future supplier would not see any financial disadvantage in taking on such assets and so be driven to change them from a DCC cost point of view. Regarding the asset rental, it is possible (even likely) that asset rentals will drop as more manufacturers produce volume meters and communication modules against firmed-up specifications driven by the DCC becoming fully operational. Where agents and asset providers are supplying assets on a ‘flat rental’ basis with the installation costs spread over the anticipated asset life, the supplier could see a potentially lower rental rate if they choose to change the asset/s from earlier, more costly units. Minimising this potential early asset premium will depend upon firm minimum specifications being agreed as early as possible. Another option would be to ‘protect’ early assets whereby suppliers would be unable to change pre-DCC meters purely on financial/rental grounds. This latter action would lower MAP risk premiums and so close any financial gap anyway.

*Question 5: 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?*

A5: We agree with DCC being a ‘procure and manage’ organisation. We strongly disagree with any suggestion that in order to accelerate the establishment of DCC operations, potential bidders could bring with them a portfolio of potential contracts with service providers. Such portfolios would have been put together outside of EU procurement rules and so would not have facilitated full and open competition in the marketplace.

*Question 6: 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?*

A6: We agree that the DCC should be independent from energy suppliers, other users of its’ services and also from potential suppliers of procured services into DCC. Independence could be established by testing whether an organisation’s affiliated companies (e.g. parents, subsidiaries, siblings) could have a vested financial interest in operating the DCC in a manner other than that which completely aligns with the license requirements.

*Question 7: Do you have any comments on the steps DCC would need to take to be in a position to provide its services and the likely timescales involved?*

A7: As stated in A5, we strongly disagree with any suggestion that in order to accelerate the establishment of DCC operations, potential bidders could bring with them a portfolio of potential contracts with service providers. Such portfolios would have been put together outside of EU procurement rules and so would not have facilitated full and open competition in the marketplace.

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## 4. Regulatory & Commercial (229) questions

*Question 2: Do you agree with the proposal to establish a Smart Energy Code?*

A2: Yes

*Question 4: Do you have any comments on the most appropriate governance arrangements for the Smart Energy Code?*

A4: We would like to see governance representation include non-domestic consumers (could be CBI) and also industry agents and service providers (e.g. ESTA) to give a balanced perspective.

*Question 5: Do you agree with the proposals concerning the roles and obligations of suppliers in relation to the WAN communications module?*

A5: Agree

*Question 6: We welcome views as to which other additional data items should be included in the mandated HAN data set beyond the list for the IHD.*

A6: Data must be freely available to the customer via the HAN and HH profile data is a must-have item together with access to register readings.

*Question 7: Do you agree with the proposal that the WAN and the HAN in customer premises should be shared infrastructure, with the installing supplier retaining responsibility for ongoing maintenance? If not, would you prefer to have an arrangement by which if the gas supplier is the first to install, responsibilities for the common equipment is transferred to the electricity supplier when the electricity smart meter is installed?*

A7: Notwithstanding any proximity issues between the gas and electricity meter locations, we believe that it is technically much simpler to have a WAN module which is an exchangeable part of the electricity meter. This avoids all the issues associated with providing a separate power supply for a stand-alone WAN module and also will economise on space requirements which will help minimise abortive visits. It also obviates the need for gas meter installers to become LDSO accredited to remove cut-out fuses as would be the case if they are also required to install a stand-alone WAN unit.

Whilst we understand the logic behind the considerations to favour the 'lead supplier' model, these are based on the premise that the gas installation would have to follow the electricity installation under Option3. This may not be the case if sufficient certainty in the 'pairing' of HAN communications can be established such that a following-on electricity meter installer has a high level of confidence that a previously installed smart gas meter will pair with the comms.

*Question 9: What is needed to help ensure commercial interoperability?*

A9: Our views on potential asset stranding allied to commercial issues is laid out in Section 2 (doc 226) answer A4.

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## 5. Non-Domestic Sector (230) questions

*Question 1: Are there any technical circumstances where only advanced rather than smart metering would be technically feasible? How many smaller non-domestic customers have U16 or CT meters and what scope is there for full smart meter functionality to be added in these cases?*

A1: For many non-domestic (ND) customers, pulse-outputs from meters and data loggers are being utilised for both aM&T and BMS applications. In addition, advanced meters can be specified with auxiliary load control terminals (low current) to facilitate contactor control of (typically) off-peak loads via a customer contactor arrangement to match with tariff rate timing. Providing valves in larger gas meters and disconnection contactors in electrical CT metering arrangements is not economically feasible.

Giving the ND customer ongoing choice in the type of metering equipment is the obvious solution to these issues and this can be achieved by removing the 2014 deadline date for advanced meter installation in the smaller ND market. The risk to industry from an interoperability perspective is minimal due to the following:

- a) Advanced electricity meters are currently read by a variety of Elexon accredited data collectors in the current marketplace.
- b) The same communications systems and meter/logger protocols/head-ends are likely to exist in early (pre-DCC) smart meter installations and so DCC will have an obligation to take these on – thus effectively making them readable by DCC.
- c) Most advanced electricity meters have modular modem technology which could be upgraded to add HAN technology at a later date if required.
- d) From a smart-grid perspective, the absence of a HAN is inconsequential since there is unlikely to be commercial/industrial equipment which is available for remote load control (albeit there may be some environmental equipment in some office buildings).

*Question 2: Do you agree with our proposed approach to exceptions in the smaller non-domestic sector?*

A2: Given the points raised on our answer to Q1, we believe that smaller ND customers should continue to have the option of choosing advanced or smart meters and only where that choice is not exercised should the choice then rest with the suppliers.

*Question 4: Do you agree with the proposed approach that use of DCC should be optional for non-domestic participants in the sector?*

A4: Agree totally. Important that this choice should primarily be with the customer before the supplier to ensure that a monopoly situation is not forced upon what is currently a competitive market. Likewise, suppliers should not be able to refuse to accede to a customer request for the use of a suitably accredited agent for DCDA and should be prepared to run the agent costs 'through the bill' to ensure a level playing field with any 'in-house' agents.

*Question 5: If use of DCC is not mandated for non-domestic customers, do you agree with the proposed approach as to how it offers its services and the controls around such offers?*

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A5: Again we believe that in the smaller ND sector the initial choice should be left with the customer. One of the issues promoted as a driver behind the use of DCC in this market is interoperability (both technical and commercial). Our experience in having acted as metering and data agent for many thousands of advanced meters is that there is no issue regarding interoperability. Communication arrangements are easily novated, meter security information can be passed on and all reputable DC's have multiple head-end/translators to ensure connectivity. Indeed we are just in the process of migrating a large number of advanced meters from another AMR agent.

From a commercial interoperability perspective, the issue is no different to that which will exist throughout the smart metering market where suppliers will need to contract with system/asset providers and agree contracts with them as part of a CoS process.

*Question 8: How can interoperability best be secured in the smaller non-domestic sector?*

A8: We believe that the only outstanding action would be to require suppliers and their accredited DCs to adhere to SLA timescale standards on the release of comms/security info to allow an incoming DC (or the DCC) to communicate with the meter without undue delay. Such SLAs normally exist as standards for suppliers to meet and they in turn back these off in their contractual agreements with their DCs.

We agree that the DCC should be able to charge cost-reflective rates for advanced meters where they are requested to take them on.

*Question 9: What steps are needed to ensure that customers can access their data, and should the level of data provision and the means through which it is provided to individual customers or premises be a matter for contract between the customer and the supplier or should minimum requirements be put in place?*

A9: We agree with the example statement that the customer has unfettered rights to access their data and that this should become part of all relevant supply contracts terms. We also agree that the level of data provision and the means should be a matter for customer choice – whether that choice is using DCC as data retriever or other accredited agents. Accordingly, the customer may exercise a choice which requires their supplier to appoint a chosen agent or to obtain a particular data service via the DCC.

We also agree that a non-branded (e.g. Ofgem) copy of the data Code of Practice be left with the customer at each ND smart installation and that the code should explain the customer's options concerning data retrieval (DCC or non-DCC) and explaining the competitive market for data presentation and energy management services.

*Question 10: Do you agree with our approach to data privacy and security for non-domestic customers?*

A10: We agree with the principle that consumers should be able to choose how their consumption data is used and by whom. We also suggest that ND consumers should not have to seek supplier 'permission' to access their data as this would provide an unfairly advantageous opportunity for the supplier to promote their own services.

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## 6. Data Privacy & Security (232) questions

*Question 2: We seek views from stakeholders on what level of data aggregation and frequency of access to smart metering data is necessary in order for industry to fulfil regulated duties.*

A2: We agree with the proposal that the consumer should choose in which way consumption data shall be used and by whom. To facilitate this, access should be available to meter data to the customer (or their appointed agent) via the HAN. In addition, we believe that suitably accredited agents (such as existing Elexon DCDA's) should have access to the meter data via the DCC WAN if so requested by the customer. Lastly, consideration should be given to the provision of data such as register readings and profile (HH) data by the DCC to 'authorised' parties upon instruction by the customer. Recovery of additional DCC costs associated with this last option could either be direct from the customer or as a pass-through charge to the supplier.

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