

28 September 2010

Margaret Coaster
Smart Metering Team Ofgem E-Serve
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Dear Mrs Coaster

Response to the DECC consultation on the Ofgem Energy Smart Metering Implementation Programme Prospectus.

Water UK is the industry association that represents regulated UK statutory water supply and wastewater companies at national and European level. We are a policy-based organisation and represent the industry's interests with Government, regulators and stakeholders in the UK and in Europe. Our core objective is sustainable water policy – actions and solutions that create lasting benefit by integrating economic, environmental and social objectives.

We are grateful for the opportunity to respond to this consultation. The comments contained within this paper are those of Water UK developed in discussion with member companies and stakeholders. Whilst the Prospectus does not consider water metering in its scope the Water Industry is keen to make representation at this stage as the approach taken by energy metering will have implications to the water sector as and when smart water metering becomes an option.

Our economic regulator (Ofwat) has produced a more detailed response in collaboration with the water companies and Water UK. This letter refers to the Ofwat submission as an agreed detailed consideration of the questions set.

We support your proposals and consider that there are opportunities for the energy and water sectors to deliver joint benefits. It is widely understood that the use of hot water is one of the most carbon intensive activities in domestic properties (around ¼ of energy use in the home is associated with heating water). Clearly energy saving in this area will have water saving benefits. Although the Prospectus is focused on

delivery of energy smart metering, we are concerned that this opportunity should not be missed.

As rightly noted in the Prospectus the water industry is some way from developing a smart metering strategy. This may well require legislative or regulatory direction. However it is widely accepted that the majority of domestic water customers will become metered and smart metering may be an option provided that the benefits to our customers can be rationalised with the additional cost of smart metering. It is also our opinion that given its vital importance to public health that water should be considered differently to other third parties potentially requiring access to the network.

To this end we would ask that as the framework for smart energy metering is developed that it is flexible enough to allow water smart metering to integrate into the system with the vision of allowing customers to have access to a single point of information on their three main utilities (water, gas and electricity).

The Ofwat response sets out the details of the water industry concerns in the specific questions set in the consultation documents. The key issues are noted in summary below together with a number of concerns that are not captured by the questions. These are:

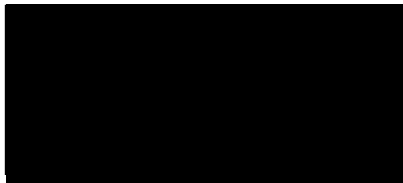
- The Prospectus raises issues around the ownership of and access to the data generated by smart metering. There is a potential that unless there is clarity over ownership it could prevent water companies from using meter data to provide services in addition to standard billing such as leakage detection or water efficiency analysis.
- The costs of accessing data via the data communications company (DCC) will be a central piece of information for water companies to integrate into their 2015-2019 business plans. The process for developing these business plans commences in 2013. We would like to stress the importance that this deadline has to the Water Industry.
- We are concerned that arrangements as proposed could add layers of complexity. For example water companies would have to negotiate not only with the DCC, but also with the many different energy companies that own smart metering assets. This will become more complex as customers switch energy suppliers. This

could affect the costs associated with future water smart metering integrating with the energy framework.

- We support the suggestion in the Prospectus that the smart energy meter roll out should not be seen as an opportunity to sell additional services. There may be synergies that can be made in carrying out joint energy and water audits. As a consequence there may be an increased demand for water meters.
- There will be additional benefits of sharing the roll out programme with water companies such as managing the risks associated with distraction burglary. It would be beneficial to both the customers and the water industry, if information is included regarding the status of smart metering in relation to water.

We hope that you find these comments useful. The issues and concerns raised should not delay or impede the smart energy metering programme, as we recognise the tight timescales that the energy sector is working to.

Yours sincerely

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