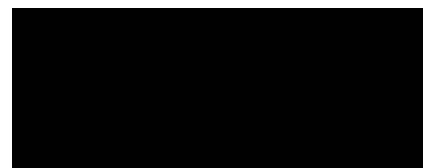


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28 September 2010

Dear Margaret,

Smart Metering Implementation Programme – Response to Prospectus

1. Introduction

Thank you for the opportunity to respond to the Smart Metering Implementation Programme (“the SMIP”) Prospectus. The scope of this letter and the supporting appendices is limited to certain of the matters for which Ofgem has requested an early response. We expect to provide a further response during October 2010 in respect of other matters raised by the Prospectus.

We have included in Appendix 1 a schedule of the specific questions to which we have provided responses.

We are responding in our capacity as the Gas Transporters’ Agent with responsibility for delivering on behalf of the large Gas Transporters (“GTs”) a range of centralised gas transportation services as defined in the GTs’ Uniform Network Code (“UNC”) and licence, including supply point registration, supplier switching and settlement services. Appendix 2 provides further background information on the role of xoserve.

xoserve is also a member of the SMIP Data and Communications Group (“DCG”), and is participating in DCG Subgroup 1a that is considering options for the scope of activities of the Central Data and Communications Provider (“the DCC”) and the impacts on existing service users and providers.

2. A Staged Approach to Rollout

We support in principle an approach that facilitates the early deployment of Smart Meters, as this should enable the earlier realisation of consumer benefits in DECC’s business case. This approach should also allow the early proving of the physical rollout process, of Smart Meter functionality, and of some aspects of the communications technology solutions prior to full operation of the Smart Metering market model when the DCC services go live at a later date.

However, the staged approach requires the SMIP to give attention to Smart Meter data management arrangements both during the period between rollout commencement and DCC go live (“the interim period”) and at DCC go live itself.

In order to maintain the efficient operation of industry processes during the interim period, it is essential that, prior to rollout commencement, the SMIP defines in respect of the interim period both the data that needs to be captured and the participants, processes and systems to which this data needs to be made available. It would then be the responsibility of impacted industry participants to develop and implement appropriate solutions.

In this regard, xoserve would be concerned to ensure that it continues to receive the data that is necessary to maintain the integrity of the switching and settlement services that we operate on behalf of the GTs. In outline, we would expect that the scope of this data would comprise:

- (a) Updates to meter asset data on the exchange of a legacy meter for a Smart Meter;
- (b) Validated meter reads submitted in accordance with UNC rules; and
- (c) Data that is necessary to record a Change of registered Shipper on the GTs’ Supply Point register.

When DCC services go live, we expect that there will be a requirement for data generated during the interim period and potentially held locally by individual industry participants to be made available to or migrated to the DCC’s service provider(s). It is essential that, prior to DCC go live, the SMIP defines both the data that will need to be either made accessible or migrated and the industry participants that are responsible for the provision of that data to the DCC’s service provider(s). It would then be the responsibility of impacted industry participants to develop and implement appropriate solutions. As part of this activity, consideration should also be given to the determination and application of data quality standards in order to mitigate the risk that the DCC goes live with incomplete and/or inaccurate data.

We would be happy to contribute to further discussions about interim period data management arrangements, and to participate in requirements definition and solution delivery activities.

3. Completeness of the Functional Requirements Catalogue

We note that the Functional Requirements Catalogue (“the Catalogue”) that is set out in Appendix 2 of the Statement of Design Requirements has within the scope for gas Smart Meters the provision of a Calorific Value (“CV”) for inclusion in the calculation to convert consumption volumes to financial values for display to consumers. UNC rules do not require the finalisation of CVs until the 5th Business Day after the relevant Gas Day, so arrangements to provide energy cost information to consumers may need to take this into consideration.

4. SMIP Governance and Management

The implications of the Prospectus proposals for the establishment and role of the DCC are in some respects similar in nature to the changes to industry arrangements that were introduced through the Reform of Gas Metering Arrangements (“RGMA”). The impacts of RGMA

implementation included changes to the regulatory and commercial framework, the establishment of new industry participants, and changes in participants' responsibilities with associated changes to processes, data flows and systems. A review of the RGMA governance and management arrangements may identify approaches that can be applied for the benefit of the SMIP.

We believe that it is important that the SMIP manages the interactions with and ensures consistent outcomes from other industry developments that are expected to run in parallel, including the potential Significant Code Review in respect of the impact of Smart Metering on wider industry processes and the forthcoming Gas Distribution Price Control Review.

We are happy for you to publish this letter and the supporting appendices. In the meantime, if you would like to discuss further any aspect of our response, please contact [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Appendix 1 – Schedule of questions and responses

Document	Question Number	Question	Response
Prospectus	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?	See Section 2
Prospectus	20	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?	See Section 4
Statement of Design Requirements	4	Do you believe that the Catalogue is complete and at the required level of detail to develop the technical specification?	See Section 3
Implementation Strategy	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?	See Section 4
Implementation Strategy	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?	See Section 2
Implementation Strategy	4	Do you have any comments on the risks we have identified for staged implementation and our proposals on how these could best be managed?	See Section 2

Appendix 2 – The role of xoserve

xoserve is appointed by the principal Gas Transporters of England, Wales and Scotland as their common agent to deliver a range of centralised gas transportation services as defined in the Uniform Network Code (“UNC”). The UNC governs the arrangements for the provision of transportation transactional services by Gas Transporters to Shippers, and the principal role of xoserve is to deliver those services on behalf of the Gas Transporters. xoserve also provides services which fulfil a range of Gas Transporters’ obligations as defined in their regulatory licences. Services are concerned primarily with the management of the register of Supply Points connected to the Gas Transporters’ networks and the preparation and submission of transportation and energy invoices to Shippers.

In addition to the provision of transactional services, a key element of the common agent role is the management of changes to these services, principally driven by Modifications to the UNC and/or Gas Transporters’ licences.

Both the transactional and change management services delivered by xoserve are fundamental to the efficient commercial operation of the gas industry and essential to enabling gas supply competition in Britain.