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### Smart Metering Implementation Programme – Prospectus – Utilita Response

Dear Madam,

We are grateful for the opportunity to respond to this consultation. Please find our response below to those questions required by 28<sup>th</sup> September 2010.

Utilita is a new entrant supplier of electricity and gas in Great Britain and in particular has focused on delivering a competitively priced high quality product to residential pre-payment customers. Over the last few years we have delivered in excess of 10,000 smart dual fuel metering systems, at no up front cost to our customers, as well as maintaining the lowest priced pre-payment energy services in the areas in which we operate. This has been achieved outside of the EDRP and without any other public sector support. To put this in context to date we are the largest supplier of smart meters to the residential market in Great Britain. We have therefore developed a considerable amount of expertise in the rapid and cost effective installation of smart metering.

We have not only delivered significant value to low income households, but also demonstrated to the industry in practice the benefits of smart metering, and help to improve the design of the next generation of smart meters.

#### The Consumer Experience

**Question 3:** Do you have any comments on the proposed approach to ensuring customers have a positive experience of the smart meter rollout (including the required code of practice on installation and preventing unwelcome sales activity and upfront charging)?

**Utilita** We have not encountered any issues with customer acceptance of smart meters and firmly believe that this issue will be resolved by normal market mechanisms. We do not believe there is any need for a new code of practice.

We have very successfully launched a smart meter product without any such national awareness campaign and therefore do not believe that it is necessary.

There may be some residual problems in getting 100% coverage, but this is sufficiently far into the future that we should wait to see how the technology develops before determining specific strategies.

## Industry Roles & Responsibilities

**Question 6:** Do you have any comments on the functional requirements for the smart metering system we have set out in the Functional Requirements Catalogue?

**Utilita** Given the rapid pace of development of the electronics, IT and communications technology industries, it is essential that requirements are as flexible as possible so that the value of future developments can be delivered to consumers and that the current programme does not stifle innovation.

**Question 7:** Do you see any issues with the proposed approach to developing technical specifications for the smart metering system?

**Utilita** There is a distinct danger that the specifications will attempt to deliver too much, burdening the whole programme with unnecessary costs. We see no difficulty with suppliers being required to interact with a number of different metering technologies. The key proviso being that part of the approval process for any new meter is that the protocol and any other key operational information be published and readily available to any supplier that might inherit the meter.

We believe that the role of the DCC should be kept as thin as possible otherwise there is a real danger that genuine competition will be eliminated. We do not believe that it is essential to have a single communications provider, there is sufficient interoperability in the telecommunications industry for this to be unnecessary. The DCC should essentially be a design authority for setting standards and approving changes.

We think it is unrealistic for Suppliers to be able to specify a network operator. Given the existence of the DCC this should be a matter for them to decide. If the DCC is not responsible for the communications network then the supplier should be forced to accept the SIM already in the meter or switch it at their own expense.

**Question 16:** Do you have any comments on the proposals for requiring suppliers to deliver the rollout of smart meters (including the use of targets and potential future obligations on local co-ordination)?

**Utilita** We believe that it is essential to understand the specific circumstances of smaller suppliers, and in particular our own circumstances, since the relative impact on us will be so much greater than for bigger players. Mandatory targets need to be negotiated on a bi-lateral basis.

We believe that suppliers should be allowed sufficient commercial freedom to ensure that they can meet their obligations at least cost. We also believe that some diversity



in the approaches taken by different suppliers will enable normal market mechanisms to ensure best practice is adopted by all suppliers over time.

We want to develop our business based on smart meters and therefore are happy to see a bi-laterally agreed target for smart meters.

## Implementation and Next Steps

**Question 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?

**Utilita** We support the DECC/OFGEM implementation strategy with staged rollout. We are a growing business providing significant value to customers and competition to the Big 6 suppliers. We cannot simply stop and wait.

**Question 18:** Do you have any other suggestions on how the rollout could be brought forward? If so, do you have any evidence on how such measures would impact on the time, cost and risk associated with the programme?

**Utilita** The key to rapid rollout is to ensure that the funding of new meters is secure. If similar guarantees as have been put in place for the SME sector are applied to the residential sector this would be sufficient.

Clearly this may result in a minority of meters not having the full specification, but the industry will continue to learn valuable lessons over the initial roll-out. It is essential that these can be integrated into the programme at some point in the future and therefore Ofgem should maintain maximum flexibility and incentivise suppliers to roll-out smart meters in the next couple of years.

Current specifications are sufficient to deliver many of the benefits of smart meters.

In the short term our main concerns are with the scope of the project, and risks to costs and delivery. During the roll-out we believe one of the critical constraints will be the availability of sufficient qualified gas technicians.

We are concerned that significant change to the archaic gas settlements process is not within the scope of the project. The gas settlement process is currently not fit for purpose and will prevent many of the benefits of smart meters being realised by suppliers and hence customers.

**Question 19:** The proposed timeline set out for agreement of the technical specifications is very dependent on industry expertise. Do you think that the technical specifications can be agreed more quickly than the plan currently assumes and, if so, how?

**Utilita** We believe that it is unlikely that the industry will agree a specification any quicker.

We believe that the current programme is trying to deliver too much to too many bodies. In particular in areas where the business case is far from clear, e.g. smart grids. There is a danger that these matters will cause further risk to the project both in terms of cost and delay.

Despite the best efforts of all the organisations involved it is highly likely that some aspects of the specification will be redundant and that in other respects the specification will be inadequate. This simply underlines the need for flexibility.

**Question 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?

**Utilita** The future governance arrangements must not stifle competition and innovation in the way that current arrangements do. Individual, or minority groups, must be able to implement change without incumbent suppliers with a vested interest in maintaining the status quo being able to block them through control of governance committees.

For any questions concerning our response please contact

