

Liz Chester Social Policy Manager Ofgem 9 Millbank London SW19 3GE

13 April 2011

Dear Liz,

Smart Metering Spring Package – Addressing Consumer Protection Issues

EDF Energy supports the Coalition Government's renewed commitment to delivering Britain's low carbon future. We are fully committed to supporting DECC/Ofgem in planning and delivering the GB Smart Metering Programme and we are passionate about ensuring its success. In our response to the 2010 Prospectus, we set out four fundamental principles which we believe are critical in underpinning success:

- 1. Placing a strong emphasis on health and safety
- 2. Minimising the cost to the consumer
- 3. Reducing risk through robust governance, effective planning and thorough testing
- 4. Delivering an optimal and enduring solution for the consumer and industry participants

We believe that these principles are also central to responding to the questions raised in the Spring Package consultation, and in this response we make a number of recommendations that help further build them into the smart metering programme.

Our detailed response is set out in the attachment to this letter, both of which may be published on Ofgem's website. The key points we are making are summarised below for ease of reference:

Early Movers: Incentives for 'early movers', who undertake installations prior to the commencement of mass rollout (currently expected in Q2 2014), could put the programme at risk of a 'false start'. If any suppliers move to rollout in large volumes prior to DCC go-live, it could trigger a competitive rollout pre DCC. This risks placing undue costs on the consumer and damaging their perception of the Smart Meter Implementation Programme (SMIP).

Prepayment: We believe that the existing protections for prepayment customers can be carried forward into the smart world. However, until a full cost benefit analysis is carried out, prepayment/PAYG functionality should not be mandated as part of the Foundation Stage.

Health & Safety: The smart metering regulatory framework should require suppliers to act in accordance with HSE guidance regarding the safe location of meters (i.e. it is not appropriate to regard such advice as merely advisory).

Data Privacy: Robust measures should be put in place pre DCC to manage security and privacy. We agree it is important that consumers' interests are fully protected, especially



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in the early stages of rollout while the privacy and security framework for mandated rollout is being established. A failure to address this area could lead to an early loss of consumer confidence and put the programme at risk.

Commercial Interoperability: Early movers, who undertake installations prior to the commencement of mass rollout do so at their own commercial risk and should bear the costs and risks of any Smart Metering System (SMS) components being non-compliant or not adopted by the DCC.

Sales & Marketing: The obligations on sales and marketing should apply irrespective of when the smart meter is installed (pre or post DCC), and obligations should be in place to provide the necessary level of consumer protection both before and after the start of mass rollout.

Should you wish to discuss any of the issues raised in our response or have any queries please contact my colleague Ashley Pocock on 07875 112854, or myself.

Yours sincerely,

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Paul Delamare Head of Regulation



Attachment

1. Introduction

EDF Energy supports the Coalition Government's renewed commitment to delivering Britain's low carbon future. As expressed by Ministers, we also believe a range of solutions must be pursued, not just in delivering these targets, but in achieving a low carbon economy where the consumer receives tangible benefit. Our commitment to decarbonising Britain's generation fleet through substantial new nuclear investment is well known. However, we also recognise the critical importance of engaging the consumer in managing their energy use and associated carbon emissions, and the vital role that smart metering will play in delivering this objective. Smart metering will bring with it a paradigm shift in our industry, empowering the consumer and providing the foundations for full end-to-end management of the energy infrastructure.

We welcome the opportunity to respond to Ofgem's Smart Metering Package – Addressing Consumer Protection Issues consultation paper. EDF Energy is fully committed to supporting DECC/Ofgem in planning and delivering the GB Smart Metering Programme and we are passionate about ensuring its success. In our response to the 2010 Prospectus, we set out four fundamental principles which we believe are critical in underpinning success:

- 1. Placing a strong emphasis on health and safety
- 2. Minimising the cost to the consumer
- 3. Reducing risk through robust governance, effective planning and thorough testing
- 4. Delivering an optimal and enduring solution for the consumer and industry participants

We consider that these principles are also central to responding to the questions in the Spring Package as we set out below. EDF Energy would like to make some clear recommendations with regard to the aspects of the programme where we believe that the principles above must be incorporated within its design.

EDF Energy supports DECC/Ofgem's views:

- That 'early movers', who undertake installations prior to the commencement of mass rollout (currently expected in Q2 2014) do so at their own commercial risk and should bear the costs and risks of any SMS components being non-compliant.
- To ensure robust measures are in place to manage security and privacy. We agree that it is important that consumers' interests are fully protected, especially in the early stages of rollout while the privacy framework for mandated rollout is established.



• That prepayment meters are only installed in safe locations in accordance with guidance received from the Health and Safety Executive.

However, EDF Energy has concerns in some areas where achievement of the four fundamental principles outlined above is at risk.

- EDF Energy has strong concerns that high volumes of smart meters rolled out during the Foundation Stage will result in a 'false start'. A 'false start' is where industry rolls out significant numbers of smart meters ahead of DCC go-live and the national consumer awareness campaign; such that consumers believe the rollout has actually begun. There is risk that consumers' experience during this phase will not be representative of the end product, potentially causing reputational damage to the national programme.
- We believe a 'false start' will put the programme at risk. If any suppliers move to rollout in large volumes prior to DCC go-live it could trigger a competitive rollout pre DCC. This risks placing undue costs on the consumer, damaging consumer perception of the SMIP prior to the national awareness campaign, and undermining the testing and trialling phases of the Foundation Stage. We believe that any volumes beyond those that are needed for testing and trials should not be supported prior to DCC go-live.
- Smart meters and associated equipment (IHD, Comms etc) represent emerging technology which is under continual development. The Foundation Stage is an ideal opportunity to field test this equipment where it is likely that problems will occur which will help address issues in the longer term. It is important that these issues are discovered, prior to large volumes being rolled out, in order to minimise the impact and cost to the consumer and the reputation of the national programme.
- DECC/Ofgem must ensure that meter volumes deployed during the foundation stage is restricted to testing and trialling only. This will guarantee the prevalence of a particular communications technology does not prejudice the outcome of the DCC communications choice, which could result in a suboptimal outcome for GB.

Our view concerning the rollout of smart meters is that the current timetable is already challenging, that a 'false start' will only heighten the difficulties and would risk undermining the above principles. We consider that a successful rollout is more likely under the following conditions:

- Any volumes deployed, beyond those that are needed for testing and trialling should not be supported prior to DCC go-live.
- Sufficient lead time is allowed to enable energy suppliers to develop and test appropriate risk management systems/processes to assure the health, safety and welfare of their consumers, staff and sub contractors.



- In order to ensure successful adoption by the DCC, all smart metering systems should be both technically compliant and subject to accreditation prior to deployment.
- A controlled market start-up is implemented including a formal pilot period, as opposed to an uncontrolled 'free-for-all'.
- Time is allowed for a mature supply chain to develop for the equipment required to underpin smart metering.
- That interim arrangements by stealth are not implemented, so as not to add uncertainty to the delivery or funding of smart metering assets.
- For a change of supplier to operate effectively pre DCC, DECC/Ofgem must consider allowing suppliers to transfer the responsibility of their smart meters to appointed agents, which may include MAPs, MAMs, DR and communication providers.

The Government appears to be trying to build incentives for 'early movers' and EDF Energy does not consider that all of these incentives will work in the interests of consumers, in terms of costs passed onto consumers and the early customer experience of smart meters. Furthermore, a risk remains that there is a disproportionate response to these incentives, resulting in a 'false start' ahead of the planned mass rollout. A highly competitive, disjointed and disparate roll-out by suppliers during the 'Foundation' stage could undermine the whole programme.



2. Prepayment and Remote Disconnection

Question 1

Do you agree with our proposal to issue guidance on safe and reasonably practicable and require suppliers to have regard to this guidance through a licence amendment? If not, what else is needed?

EDF Energy believes that the existing protections in the supply licence and the ERA Safety Net are sufficient to protect customers from being inappropriately switched to prepayment mode.

We fully support the HSE's work to ensure that our customers' safety is ensured when accessing or interacting with their meter in certain situations e.g. intake rooms in tower blocks. We do not agree with the use of the word 'advice' (sixth bullet of Ofgem's draft guidance refers). In our view, the HSE's guidance amounts to more than mere advice that prepayment meters should not be installed in such areas as in intake rooms of tower blocks, and the industry must act accordingly.

Smart meters should allow consumers to access the PPM functionality remotely, for example via an In Home Display (IHD). A proposed link to complete the final reenablement of a customer's supply when necessary, would remove the need to access meters in these scenarios. However, until such time that such solutions are found and proven it is imperative that industry should place itself under an obligation to 'act in accordance' with guidance from HSE to protect customers from having access to meters located in unsafe positions.

We would like clarification of Appendix 3's Draft Guidance, with reference to the statement that '*the supplier must visit the customer at their premises, with visits attempted at various times of day*'. EDF Energy does not believe an over-prescriptive obligation for numerous visits, at varying times of the day, is either necessary or helpful. Should the reason for transferring a customer to prepayment be debt related, it could result in lengthy delays in switching to prepayment, which may result in the customer building up additional debt that would need to be collected through the meter. Instead, we prefer guidance to allow for reasonable endeavours to be undertaken for site visits with, for example, a maximum cap on the number of visits at varying times of the day.

Question 2

Do you agree with our proposal to require suppliers, where they know or have reason to believe that prepayment is no longer safe and reasonably practicable for a customer, to offer an alternative payment method or some other form of action?



EDF Energy supports Ofgem's proposal that the existing obligation is sufficient in this area and that no further amendments are required. We believe it is of paramount importance that the location of the meter is recorded and communicated to the Supplier on completion of the smart installation visit, and therefore we welcome the inclusion of this within the draft guidance.

We foresee that the introduction of smart metering will enable new opportunities, such as through the IHD or other devices, which will enable prepayment functionality irrespective on the location of the meter. This will overcome the scenarios we face today where it is not safe and practicable to access a PPM and alternative payment methods or other action is required.

Question 3

Do you have any comments on our proposed guidance regarding taking into account whether it is safe and reasonably practicable for a customer to pay by prepayment?

EDF Energy is supportive of the proposed guidance regarding taking into account whether it is safe and reasonably practicable for a customer to pay by prepayment, as these protections are already explicit within the supply licence. However, we welcome clarification regarding the number of visits and variety of times required to visit, as stated in our response to Question 1 above.

EDF Energy also believes these obligations should be clearer in respect of the applicable scenario. Typically, a customer will change to prepayment in one of two main scenarios:

 At their own request as their choice of payment method with no debt considerations, where EDF Energy believes it is not appropriate to seek senior management authorisation prior to moving a customer to a prepayment meter. However, we would have regard to a 'checklist' to ensure it was safe and practicable for the customer.

We also believe that the rollout will open up the opportunity for consumers to settle their accounts through Pay As You Go (PAYG) which will replace prepayment as a method of payment. PAYG will begin to be used by customers who are not considered vulnerable and we believe PAYG through smart meters will create a good opportunity to remove the stigma around prepayment meters as they begin to be used by a wider range of customers e.g. the mobile phone market.

2) Transferred to prepayment as an alternative payment method for the repayment of a debt, where EDF Energy would prefer to see a requirement to seek approval from a "suitably authorised person" rather than an individual that holds a senior managerial position. Ofgem's proposal could significantly delay the installation of a prepayment meter, adding to the indebtedness of the customer, and is particularly problematic in the context of large volumes.



Question 4

Do you agree with our view that the current notification periods for switching to a prepayment meter are sufficient?

EDF Energy believes that the existing notification periods for switching to a prepayment meter are sufficient and adequately covered within the Gas Act 1986 and the Electricity Act 1989. There is no need (or justification) to duplicate this requirement within the standard conditions of the electricity and gas supply licences.

We believe that the mandated notification period should only cover those customers who are switched to PAYG by the supplier for debt management purposes, rather than to those customers who request PAYG as their chosen payment method.

Question 5

Do you agree with our proposal to require suppliers to give customers information on using a prepayment meter ahead of switching them to prepayment?

EDF Energy supports the provision of clear and appropriate information to customers regarding the operation of prepayment meters either in advance, upon or shortly after switching them to prepayment mode.

Question 6

Do you consider it necessary to explicitly require suppliers to provide the ability to top-up by cash where payment is made through a prepayment meter?

EDF Energy anticipates providing cash payment facilities for customers via local shops or other suitable outlets. We believe it is important to ensure customers who may not have bank accounts are able to utilise smart metering PAYG as a payment option. We anticipate this is likely to be a cost effective option, therefore reducing costs to our customers. However, we do not believe that it is necessary for Ofgem to mandate any payment method or provision, as it is in the supplier's interest to ensure their customers have a variety of suitable means of paying for their energy.

Question 7

Do you agree with our proposal to issue guidance on identifying vulnerability prior to disconnection and require suppliers to have regard to this guidance through a licence amendment? If not, what else is needed?



EDF Energy believes that the existing industry safeguards and controls within the current processes are adequate to protect vulnerable customers, which include a Pre-Disconnection Visit (PDV). We support these same protections being included within the smart metering processes. We agree that it is necessary for suppliers to continue to take all reasonable steps to check whether a customer is vulnerable ahead of instructing a meter disablement.

We consider that the protections are suitably explicit within the ERA Safety Net and therefore further licence amendments are not necessary.

Indeed EDF Energy believe that the introduction of smart metering will enable new opportunities to negate the need to disable the meter, such as interaction through IHDs or other devices which will enable prepayment functionality irrespective of the location of the meter. This may overcome the scenarios we face today where it is not safe and practicable to install prepayment meters, as an alternative to disconnection and alternative payment methods.

Question 8

Do you have any comments on the proposed guidance regarding identifying vulnerability prior to disconnection?

EDF Energy largely supports the guidance proposed within this consultation, which mirror the guidelines already well established within the ERA Safety Net.

We do not support using the checklist compiled by Consumer Focus as we feel this may facilitate a 'checklist mentality' and would rather view each customer on a case by case basis. We agree that the checklist can be used to inform our internal process and checks, but we would prefer to continue utilising our own approach.

We also consider that a licence amendment is not necessary in this area as all suppliers currently comply with the requirements of the Safety Net.

Question 9

Do you agree that suppliers should ensure rapid reconnection and provide compensation on a voluntary basis where customers have been disconnected in error?

The ERA self regulation Safety Net policy has already been amended to reflect reconnection as soon as possible and usually within 24 hours. However, although remote reconnection can be enabled by the supplier, this instruction enables the customer to enact the final reconnection within the home through the meter or associated device, where appropriate. Therefore, although suppliers can send the enablement instruction remotely, this in itself does not reconnect the meter.



Additionally we are mindful of occasions when the communication network may be inoperable e.g. a fault exists and the remote instruction is stored at the Data Communication Company (DCC) pending resolution of the fault. However, these occurrences should be minimal and be mitigated by the Service Level Agreements (SLA's) set out in the DCC contract with industry participants. We would therefore prefer to see wording that requires suppliers to use reasonable endeavours to reconnect within 24 hours.

We have some concerns regarding the requirement to provide compensation to customers who have been disconnected in error. We support the provision of compensation to customers whose meters have been incorrectly disconnected due to data errors (for example flat A disconnected rather than flat B), but we believe that providing compensation to customers who have subsequently been identified as vulnerable following a disconnection may result in inappropriate consumer behaviour. We should be mindful that some customers may see a mandated compensation regime as encouragement for avoiding contact with suppliers ahead of disconnection, for financial gain. This scenario should not be encouraged and we would want the ability to assess any potential claim for compensation on a 'case by case' basis.

Question 10

Do you agree with our view that the current notification periods for disconnection are sufficient?

EDF Energy broadly agrees with Ofgem's remote disconnection guidance issued on 21 October 2010 and agrees that the notification periods relating to disconnection should not be amended.

We would only remotely disconnect in exceptional circumstances, and we will have procedures in place to re-connect where we disconnect in error. Remote disconnection would only be suitable after attempts to contact the customer, to assess their situation, have been successful. When we have been unable to contact the customer, EDF Energy would still carry out a site PDV.

There are other situations where we believe remote disconnection would be beneficial such as at the request of emergency services.

Question 11

Do you agree with our proposal to explicitly set out in the supply licences that load limiting and credit limiting amount to disconnection in certain circumstances?

EDF Energy believes there may be potential in load threshold or limited arrangements for electricity customers, but can see little benefit for gas customers. We need to be clear in what situations we might be able to use such arrangements, as the considerations are different. As a variation of a load-management (or DSM) product, this could provide a



guarantee of response to the supplier and reward the customer accordingly without the necessity of a forced disablement. As a tool for managing debt within a prepayment arrangement, this might provide a variation on the friendly credit theme but may create situations where customers are willing to live with the load limited supply and never pay their bill. Therefore, we believe that if this type of arrangement is allowed, that there should be an agreed threshold amount that could be used above the outstanding debt and if this threshold is reached, without alternative payment arrangements being agreed, then disconnection should be permissible to prevent customers from building up never ending debt. It is not clear how customers would react to this type of arrangements and more work is required to understand customer attitudes to load limited supplies.

We can see other scenarios where load limited supplies might be appropriate such as high turnover rented accommodation (e.g. holiday lets), long term no access sites or where network capacity would not support a full capacity connection. In the later case the capacity could be relatively high e.g. 5kW but not as high as a standard service. Further options exist if the premises were wired to have separated 'always on' circuits (e.g. for lighting and disconnectable circuits such as mains and high energy devices, potentially controlled by a HAN-enabled controller).

Question 12

Are there any protections that should be considered regarding disconnection and prepayment for non-domestic customers? If so, what are these? Please provide evidence to support your views.

EDF Energy agrees with the existing requirements in the Gas and Electricity Acts about providing notice ahead of disconnection or prepayment installation. We agree that the requirement that a supplier cannot disconnect a customer while there is a valid dispute over debt is sufficient for the non-domestic sector, and that no further protection is required at this stage.

We would, however, not support any obligation to pay compensation where wrongful disconnection has been carried out, without further clarity over what cases this would apply to. We believe these scenarios should be dealt with on a 'case by case' basis. EDF Energy does however agree remote reconnection should apply in the same timescales as within our response to Question 9 above.



3. Privacy

Security and privacy are areas where suppliers could each implement varying degrees of protection during the pre-DCC period, in which case, the supplier with the least controls will become the weakest link for smart meter security and privacy.

The security of the smart meter architecture is of primary concern, especially where suppliers implement differing degrees of security and access controls. It is critical that all suppliers design and deliver security and privacy measures to a minimum standard agreed and informed by DECC.

We believe that the security aspects of the pre-DCC rollout are as important as those being proposed for the mandated DCC phase of the programme.

EDF Energy want to see a form of accreditation of smart meters installed ahead of the DCC to ensure that the minimum security requirements have been met. Any supplier offering services to an incoming supplier on change of supplier should do so with an obligation to maintain security, both to the meter and on the meter.

Such a requirement would protect pre-DCC smart meters from potential 'cyber attack' and other security breaches e.g. hacking of personal data, enablement of remote disconnection, regardless of whether they are potentially being used by the incoming supplier in 'dumb mode.' EDF Energy need assurances on security and indemnity against any potential action that could be taken against the new supplier should such a breach occur. Any failure in terms of security and data privacy could have a significant impact on the enduring arrangements of the smart metering program, and could ultimately de-rail or halt the program.

EDF Energy are also concerned that the head ends utilised in early mover solutions would still be under the control of the originating supplier, or its agent, and hence the outgoing supplier could still have access to the data. Therefore, strict controls would need to be put in place to ensure Data Protection Act compliance.



4. Commercial Interoperability

Ofgem proposes to introduce a new licence obligation on suppliers installing meters with smart functionality to offer – or arrange for their agent to offer – terms for use of the meter (and also the communication links from the meter and associated services) on change of supplier that are reasonable in all the circumstances and are non-discriminatory.

In responding to this proposal, it is important to clarify the meaning of the term "meters with smart functionality". EDF Energy has interpreted this to mean meters which are compliant with *full* smart functionality, including end-to-end communication between the meter and the supplier's back office systems. This interpretation is consistent with the description of *smart mode* provided in paragraph 4.29, which requires supplier's back office systems to interface with the new data flows. We do not consider a meter to operate in smart mode (for the purposes of this proposed obligation) where the meter is only able to communicate with the IHD within the home environment or where the smart meter is able to provide more information to the customer than a typical dumb meter.

EDF Energy agrees with the view set out in paragraph 4.29 that it is unlikely on change of supplier (CoS) for the incoming supplier to be able to use a smart meter in smart mode prior to the accreditation of meter and WAN module specifications, due to the costs involved in building their own back office systems to interface with the new data flows.

The level of costs likely to be involved in order for an incoming supplier to use a smart meter installed by another supplier in smart mode prior to the accreditation of the specifications was revealed through the work undertaken on 'Interim Interoperability' by DCG Sub Group 2 at the end of last year. One of the options (Option 5) that was considered by this group involved the mandatory use of meters in smart mode by the incoming supplier on change of supplier

When EDF Energy carried out its own cost benefit assessment (CBA) for this exercise, Option 5 was found to be the most expensive option to implement. The costs involved in setting up this arrangement would also likely be stranded once the DCC was in place. EDF Energy's response to Ofgem's Information Request on DCC Interim Interoperability (based on information available at that time) indicated that total industry costs of implementing Option 5 would be in the range of £27m-37m (excluding prepayment and PAYG services), depending on the volumes of smart meters installed during the pre-DCC period.

Therefore, we agree that during the 'Initial arrangements' it is not economically feasible for suppliers to implement discard solutions to cope with varying supplier implementations of differing technologies and languages. Hence on change of supply the new supplier is likely to operate the non compliant smart meter in dumb mode and would only expect to pay a dumb meter rental charge to the asset owner.

EDF Energy continues to firmly believe that the WAN comms module and all other communications equipment required to facilitate communication with smart meters should be financed by the DCC and recovered through DCC charges levied on all



suppliers. We welcome the Government's proposal that the DCC should procure and own the WAN comms module and that the cost of WAN modules and ongoing maintenance work in the consumer premises should be handled through DCC in the same way as for the rest of its services. However, we consider that, consistent with the proposal that the DCC should fund the WAN module and its subsequent maintenance, the DCC should also finance the installation of the WAN module and all other communications equipment required for smart meter communications (for example Local Area Network (LAN) facilities required in some tower blocks).

We note the view expressed in the Government response to the Prospectus that the implementation of any non-standard technical solutions (including establishing communications facilities in difficult locations) may require coordination between suppliers to minimise consumer disruption and maximise rollout efficiency. We consider that the financing of communications installations costs by the DCC (and then recovered from all suppliers) is more likely to encourage the sort of cooperation recommended by the Government proposals, as there would be no financial gain for suppliers from withholding experience gained from developing communications solutions from other suppliers.

Once the DCC is established (or as soon as the funding of the DCC has been arranged), the costs associated with all communications facilities should be transferred to the DCC and hence not included in smart meter rental charges levied by suppliers or Commercial Meter Asset Providers (MAPs).

We note that the Government response to the Prospectus has been published since the Spring Package consultation was initiated, and new proposals have been put forward which are directly relevant to these considerations. In particular, a 'smart' CoS arrangement has been proposed to begin once three conditions are met¹ (currently expected to be in Q4 2012).

We consider further clarification is required on the three proposed criteria for the 'smart' CoS arrangements, namely:

<u>Criterion 1</u>: Technical specifications are finalised – we interpret this to mean that when the technical specifications have passed the formal approval processes within Parliament and the EU Commission, that component parts of the SMS are subsequently manufactured, tested and accredited to be compliant with these specifications.

<u>Criterion 2</u>: There is bulk availability of compliant meters – we would interpret this to mean there is a robust and competitive supply market for the compliant SMS components (including meters, IHDs, HAN components and WAN modules), with multiple manufacturers able to provide competitive pricing with sufficient volume for the market. We note, based upon projections of the rollout profile analysis provided in the Government's response to the Prospectus (Rollout Strategy, central rollout scenario, page 57), that DECC indicates an expectation that approximately 12% of

¹ Rollout Strategy; paragraph 2.51



compliant smart metering systems will be installed by the commencement of the DCC in Q2 2014.

We believe an expectation of 12% by Q2 2014 is unacceptable and constitutes a 'false start' that will trigger a competitive rollout pre DCC. This risks placing undue costs on the consumer, damaging consumer perception of the SMIP prior to the national awareness campaign and undermining the testing and trialling phases of the Foundation Stage. We believe that any volumes beyond those that are needed for testing and trials should not be supported prior to DCC go-live.

The DECC Rollout Strategy proposals equates to the bulk availability of more than 6.5² million compliant smart meters and their supporting components during the period from late 2012 to mid Q2 2014.

Criterion 3: There has been sufficient time to make necessary changes to supplier and industry systems and processes – we would interpret this to mean that all suppliers and industry as a whole has sufficient time to implement, test and accredit the required changes to allow change of supply without imposing any additional impacts or inconvenience to the consumer (e.g. it does not require the new supplier to revisit the premises to change any component part in order for the new supplier to interact with the SMS).

We also consider it essential that a fourth criterion be satisfied before the 'smart' CoS arrangements can begin:

<u>**Criterion 4:**</u> The adoption of the SMS by the DCC is guaranteed. The incoming supplier should not be exposed to any stranding risk regarding the communication module within the home, in the situation that the DCC does not adopt the SMS. Even though the WAN communications module may be compliant, the DCC may subsequently decide that the communications technology used is not consistent with its strategy of deploying specific communications technologies in different regions,

We note that the Government response to the Prospectus indicates that there is likely to be a limit on the number of (pre-DCC) contracts that DCC would guarantee to adopt. Therefore, suppliers cannot rule out the possibility that an additional visit may be required to replace the WAN module at a customer's premises, even though the module is compliant with technical specifications. We consider that an incoming supplier should not be required to pay a 'smart' rental while there still remains a possibility that the WAN module will need to be replaced prior to adoption by the DCC. The incoming supplier therefore must have confidence that they can transfer the communication contracts to the DCC without incurring any additional costs.

As a result, early clarity of the DCC adoption criteria for communications contracts is paramount. EDF Energy considers that a "compliant WAN Comms module" should be defined to exist where the module and communications contract is guaranteed to be

² Based on 54 million smart meters, projection from middle of Q2 2014 (mid-May), extrapolates to approximately 12% of smart population



adopted by the DCC. Installing suppliers should therefore bear the risk of revisits for communications facilities not being adopted by the DCC (where an installation cap is recognised under the Smart Energy Code prior to DCC Go-Live).

Excessive volumes in the Foundation Stage create uncertainty around enduring arrangements. If significant volumes of meters are rolled out in the Foundation Stage and these are subsequently incompatible with the DCC or unable to provide optimal performance for those smart metering Systems, this will lead to suboptimal outcomes for the enduring smart meter programme, and customer dissatisfaction due to the inconvenience of a 2nd/subsequent visit being needed.

It is in the interests of the SMIP to avoid a precedent being set on the suitable DCC solutions, should a sub-optimal communications solution be based on meters installed in the Foundation Stage.

Question 13

Do you agree that there should be an obligation on the original supplier to offer terms for use of the meter?

EDF Energy agrees there should be an obligation on the original supplier (or appointed agent), who installed the smart meter to offer terms to any supplier who subsequently supplies energy to that customer. The original supplier should be obliged to offer both smart and dumb meter rental terms to other suppliers, to reflect the fact that the incoming supplier may be unable to use the meter in smart mode, for the reasons given above. (The smart terms for use of the meter would be applicable if the incoming supplier uses the meter in smart mode and the dumb meter terms would be applicable if the incoming supplier uses the meter in dumb mode, as defined above.)

Technical specifications governing compliance of SMSs will be set out in the Smart Energy Code (SEC). Hence if the new supplier inherits a meter that is not compliant with these specifications, then it would have no choice but to treat it as a dumb meter and include it within its own mandated smart rollout plans. We believe the incoming supplier should not bear any costs associated with early removal (e.g. termination clauses the original supplier may have had imposed on them), or any other liabilities exposed to by the original supplier through its contractual arrangements with the meter asset provider (MAP). We agree with the principle that early movers who deploy smart meters do so at their own commercial risk and any stranded costs should therefore not be transferred to the new supplier(s), nor smeared in any way across the industry (e.g. by adoption by the DCC and subsequent charging of any associated costs across it's user base).

For a change of supplier to operate effectively pre DCC, DECC/Ofgem must allow suppliers to transfer the responsibility of their smart meters to agents which may include MAPs, MAMs, DR and Communication providers.

It is our view that if there is an obligation on the original supplier to offer terms for use of the meter, the original supplier should have the right to pass this obligation on to an



agent who will be party to the SEC, once it is established. Prior to the SEC being established, the agent should be party to any interim governance arrangements. We are aware that some agents are not currently 'officially' recognised or defined at this time and hence EDF Energy would support action to address this.

In summary, an obligation on the original supplier to offer reasonable terms for use of the meter (including at dumb rates where the new supplier can only use the meter in dumb mode) would minimise the end costs to the consumer (through lower meter rental charges). This would also mitigate against the risk of adverse media coverage to SMIP, if smart meters were exchanged for dumb due to unreasonable terms offered by the original supplier.

Question 14

Do you have any comments on the requirement for terms to be reasonable and non-discriminatory and factors we would propose to take into account?

EDF Energy agrees that the terms on offer should be fair, reasonable and nondiscriminatory. We consider that early movers, who undertake installations prior to the mass rollout, do so at their own commercial risk and should bear the risk of the SMS being non-compliant. Early movers may install a smart meter which is later found to be compliant with the technical specifications but the communication service/protocol may not be compliant and therefore not transferable to the DCC. If the communication service/protocol is integral to the smart meter, EDF Energy would need to treat the entire meter as non-compliant and hence the meter would require replacement in order to comply with the technical specifications. In this scenario, the new supplier(s) should not bear any risk or cost associated with this potential situation.

In addition, EDF Energy believe that rules should be put in place to prevent suppliers attempting to retrospectively recover smart meter rental charges, where dumb meter charges have been charged during the Foundation Stage, even if the SMS is later found to be compliant. In the Foundation Stage, the incoming supplier may have to operate the SMS in dumb mode, due to any of the four criteria (discussed above) not being met, and should not be liable to retrospective charges from the installing supplier.

EDF Energy also believes that other differences in charges may occur for various reasons, for example due to volume related charging, but any differences in charges must reflect the actual costs of providing the smart metering assets.

It is useful to consider a hypothetical scenario where supplier 1 installs a smart meter prior to the accreditation of the smart meter and WAN comms module specifications. Then the customer churns to supplier 2 prior to the accreditation of the specifications.

Once the specifications for the meter and WAN module are accredited but prior to the establishment of the DCC, there are four possible scenarios with respect to the



compliance of the meter and WAN comms module installed by supplier 1, as set out in the table below.

Table 1

Meter	WAN comms	Possible consequences for charging
	module	
Compliant	Compliant	• Supplier 2 will pay smart meter rental charges to supplier 1 (or its agents) where all four criteria discussed above are satisfied and the new supplier is using the smart functionality
		• Once the DCC is established, the costs of the communications facilities should be transferred to the DCC and removed from smart meter rental charges
		• However, if the DCC does not adopt the communications facilities, the costs should remain with supplier 1 (e.g. termination clauses etc) and not be transferred to the DCC
Compliant	Not compliant	• Supplier 2 will pay dumb meter charges to supplier 1 until the WAN module is replaced and all four criteria discussed above are satisfied (and supplier 2 is using the meter in smart mode)
		• If supplier 2 decides to operate the meter in smart mode prior to DCC Go Live, supplier 2 will pay a <i>partial</i> smart meter rental charge that reflects the cost of the smart meter and its installation only, but does <i>not</i> reflect the cost of the WAN module or any installation costs associated with the WAN module or communications facilities
		• Once the DCC is established, the costs of the non- compliant communications facilities should not be transferred to the DCC or smeared across the industry in any way
Not compliant	Compliant	• Supplier 2 will pay dumb meter charges to supplier 1 until the meter is replaced, all four criteria discussed above are satisfied and the meter is operating in full smart mode
		• Once the DCC is established and a compliant smart meter is fitted, the costs of the communications facilities should be transferred to the DCC (if it is adopted by the DCC) and removed from meter rental charges. (From this point there will be no meter rental charge paid to



Meter	WAN comms module	Possible consequences for charging
		 supplier 1) However, if the DCC does not adopt the communications facilities, the original costs should remain with supplier 1 (e.g. termination clauses etc) and not be transferred to the DCC
Not compliant	Not compliant	 Supplier 2 will pay dumb meter rental charges to supplier 1 until the meter and WAN module are replaced Once the meter and WAN module are replaced, no further rental charges or termination payments will be paid to supplier 1 Once the DCC is established, the costs of the non-compliant communications facilities or any termination payments should <i>not</i> be transferred to the DCC

Once the DCC is established (or as soon as the funding for the DCC has been arranged) the costs of all communications facilities that are both compliant and adopted by the DCC (including the installation costs of compliant and adopted WAN modules) should be transferred to the DCC and recovered through charges levied on all suppliers. However, the costs of any non-compliant or not adopted communications facilities incurred by early movers should not be transferred to the DCC as these costs have been incurred at the commercial risk of these suppliers.

In relation to dispute resolution, EDF Energy believes there should be a mechanism whereby Ofgem will arbitrate on disputes where one supplier believes the terms from the original installing supplier (or agent) are unreasonable and/or non-discriminatory. Therefore Ofgem should put in place a determination process to oversee and adjudicate any such disputes, with clear principles and a supporting process defined to remove any ambiguity and enable quick resolution.

Question 15

Do you agree with the proposed obligation that terms should be transparent?

EDF Energy agrees that any proposed obligation should be transparent. We believe that incoming suppliers should be made aware of any charges, prior to the commencement of any contractual arrangement.



Question 16

Do you agree with our proposed approach around an obligation to offer terms for use of communications services as part of the Spring Package, and the timeframe for any such obligations?

There appears to be four options in relation to the communications services utilised by an incoming supplier for a compliant SMS installed by the outgoing supplier:

- The incoming supplier accepts terms for the use of communications services offered by the outgoing supplier
- The incoming supplier accepts terms for the transferring of the meter technical details and novating the communications contract to the incoming supplier
- The incoming supplier makes their own arrangements for communications services;
- The incoming supplier uses the SMS in dumb mode.

Assuming that the technical specifications (due to be finalised by the end of 2011) include a definition of a standardised messaging service within the SMS (as described in the DECC Rollout Strategy paper), to enable technical interoperability, EDF Energy supports the proposed approach around an obligation to offer terms for use of communications services.

However, should an outgoing supplier offer functioning communication services, the incoming supplier may make a commercial decision not to utilise those services (and either make their own arrangements or operate the meter in 'dumb' mode until other arrangements are made). In this situation, we would expect the incoming supplier to pay a smart meter rental charge that reflects the smart meter asset costs, but they would not incur any costs associated with the communications contract the originating supplier entered into, nor should they be liable for any potential termination costs as a result of the communication contract not being utilised by the new supplier.

The timing of any such obligations (which is currently stated as Q4 2012 in the DECC / Ofgem Implementation paper) is dependent on the four criteria (discussed above) being met. In view of these dependencies, it is too early to assess whether we agree that these timelines are achievable.

EDF Energy has some other concerns with the proposed approach of the originating supplier (or its agent) offering data and communications services, as opposed to transferring the meter technical details and novating the communications contract to the new supplier, including:

• The installing supplier controls the head ends and therefore the full functionality it provided when it was the supplier, may not be available to the new supplier.



- The originating supplier (or agent) retains control over access to data, but has no relationship with the customer.
- The new supplier would have no control over the implementation of changes required to the originating suppliers head ends, if the new supplier had differing services/requirements that necessitated these changes.
- Different suppliers could implement varying degrees of security and privacy and hence the supplier with the least controls will become the weakest link for smart meters. Also, the head ends would still be under the control of the originating supplier and hence they could still access the data it retrieves and sends. Therefore strict controls would need to be put in place to ensure DPA compliance. Indeed any failure in terms of security and data privacy could have a significant impact on the enduring Industry smart program, and could ultimately de-rail / stop the program. EDF Energy are committed to the success of the SMIP, and would be very concerned about any foundation activity which could cause a "false start" to the SMIP, and suggest DECC / Ofgem carefully consider any required mitigation to prevent such an outcome.

Question 17

Do you have any comments on our proposed approach for dealing with prepayment?

In last year's assessment of potential interim arrangements, it was recognised that prepayment/PAYG required a centralised service to facilitate the transfer of credit top ups to the meter, and that there was no other solution to this in a distributed solution to head ends. As a result, the previous analysis did not include prepayment/PAYG functionality. Therefore, until a full CBA is carried out, this should not be mandated as part of pre DCC roll out.

Within the Ofgem DCG SG2 Interim Interoperability Sub Group, it has always been recognised that providing prepayment ahead of DCC is very complex and raises many difficult issues that need resolution (e.g. how does a customer top up their credit and ensure that wherever they top up, that the functionality will exist to transfer the credit to their smart meter?). EDF Energy believes that further work is required in this area to define a solution that overcomes these issues and hence would propose that this is introduced at a later stage in the programme. Suppliers may want to trial various prepayment/PAYG propositions to gain experience of their installation, operation and customer experience. We should ensure that the customer experience of prepayment/PAYG smart metering should not be compromised by the new supplier having to change one smart meter operating in prepayment mode for another one.

However, EDF Energy supports the proposal that should a customer who has a smart meter operating in credit mode get into payment difficulties, suppliers should have the opportunity to switch the meter from credit to prepayment mode to fulfil their supply licence obligations. This is providing the supplier has the infrastructure in place to support



a smart meter in prepayment mode. As Ofgem have stated, this may result in the customer having a meter change if they wanted to switch supplier and retain prepayment.

Question 18

Do you believe there should be a de minimis threshold before commercial interoperability obligations apply and if so, at what level should it be set?

EDF Energy believes that there should be a de minimis threshold in terms of the number of smart metering systems deployed (i.e. not based on the size of the supplier's smart portfolio) before any commercial interoperability obligations apply. In our view, a de minimis level of 150,000 sites would allow both larger and small suppliers to deploy small volumes of smart meters, as part of their trials, on the basis that it is not economical to build second tier communication services. EDF Energy believes a supplier should be able to opt to participate in the arrangements in the event that it does not meet the de minimis threshold. This potentially may also allow experience from these trials to benefit the industry as a whole.



5. Other Elements of Consumer Protection

Sales and Marketing at Point of Installation

It is Ofgem's intention not to provide any obligations for sales and marketing activity as part of the Spring Package. We note the Industry is putting in place relevant guidelines for the mass roll-out, and therefore question why this is not relevant for the Foundation Stage, where some suppliers may take the commercial decision to roll-out smart meters in volume. EDF Energy believes the Installation Code of Practice should apply prior to Q2 2012 (when the current plan envisages this being an obligation).

At present the ERA are developing the Smart Meter Installation Code of Practice which currently refers to sales and marketing at the point of installation. Whether these are eventually encapsulated within this Code or the existing SLC25 is expanded to cover these aspects, will be a matter for development in the Foundation Stage. However, we do support the statement in the Rollout Strategy paper (para 4.37) that confirms Government proposals that suppliers should not conclude any sales at the time that smart meters are installed in the domestic sector, without the customer's express prior consent. We also agree that where customers have given consent any sales activities should be conducted in a fair, transparent, appropriate and professional manner. These principles should apply irrespective of when the smart meter is installed (pre or post DCC), and obligations should be in place to provide the necessary level of consumer protection both before and after the start of mass rollout.

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