

Liz Chester
Social Policy Manager
Ofgem,
9 Millbank
London SW1P 3GE

12/4/2011

Dear Liz,

Smart Metering Spring Package

Please find appended our answers to those questions relevant to our business operation as an independent Meter Operator and Data Collector/Data Aggregator in the energy market and a key contributor to the Ofgem Smart Metering programme.

Our key concern is the effective operation of a competitive metering and data market which not only meets the needs of the industry but provides customers with real choice to combine energy supply offers with their selected metering and data agents. Elements of the Spring Package, particularly those which relate to suggested controls over commercial interoperability, do, in our opinion, seek to manipulate and distort the existing competitive market arrangements and are fraught with risk.

We look forward to the published response and will be delighted to provide any further information as may assist your endeavours.

Yours faithfully,



Tony Taylor
Business Development Director

Chapter 4 – Commercial Interoperability

Question 13: Do you agree that there should be an obligation on the original supplier to offer terms for use of the meter?

A13. Our first query is with the general assumption throughout Chapter 4 that interoperability on early smart meters will be unlikely. There is likely to be little difference between early smart electricity meters and advanced meters from a data retrieval aspect and we can demonstrate that significant interoperability already exists in the advanced meter market.

With this in mind, we believe that any obligation to provide terms for meter use should be there as a back-stop where an incoming supplier has no other route to operating the meter in smart mode. Whilst we acknowledge the argument that the Supplier should have the obligation since they are the bodies with the license condition, the electricity market is structured such that asset provision, meter operation and data collection is achieved through metering agents appointed by the suppliers (notwithstanding the possibility that a metering agent may be part of a supplier's organisation). Accordingly we believe that any back-stop obligation could be transferred to industry metering agents (through the use of industry standard contracts for MOP, MAP & DCDA being introduced) to offer terms for the appropriate services to incoming suppliers.

The next issue is whether the incoming supplier should be obliged to accept such an offer. This may depend on whether the incoming supplier already has an agent/s with suitable technology to provide continuing smart functionality on the meter in question (subject to comms novation). This is a very real possibility as such interoperability already exists in the advanced meter market (we churn many different meters in from other DC's for automatic reading). Alternatively the incoming supplier may not have a chosen agent with appropriate technology and may wish, for whatever reason, not to appoint the existing agents. Under 4.6 you consider reversion to dumb as being acceptable – under what conditions? What if the customer would wish for continuation of smart services? Should the incoming supplier have a responsibility to offer a continuing smart service if they are offered suitable agent services? We believe they should as it will enhance the customer smart experience.

In addition, meter assets will be subject to rental agreements between the MAP and the supplier. If the MAP believes there is a strong risk that they will not achieve the necessary rentals to fund the asset due to incoming suppliers reverting to dumb rentals, they will be disincentivised from funding assets during the foundation period (or until smart rentals are guaranteed).

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?.

A14. Imposing controls on a commercially competitive market is always difficult. Perhaps the consideration should be whether, if the responsibility to offer terms lay with the metering agent, there would be any reason for them not to offer reasonable terms? Even if the metering agent happens to be wholly owned by a supply business, it is questionable whether a supply business would benefit from such discrimination. For all metering agents who are independent of supply businesses, it is difficult to see the benefit of turning business away. Key to achieving reasonable and market-reflective terms without obligation will be the promotion of transparency of charges as dealt with in Q15.

Question 15: Do you agree with the proposed obligation that terms should be transparent?

A15. We agree totally with this proposed obligation and would reiterate our ROMA response in further proposing that such charges should be transparent on customer's bills (certainly non-domestic) to give customers full visibility of their metering and data costs and hence allow them to consider alternative service offerings where such exist. Such transparency would also have the effect of discouraging cross-subsidies between different business areas such as supply, metering and data removing any potential market distortions.

Question 16: Do you have any views on the appropriateness of an obligation to offer terms for use of communications services as part of the Spring Package, and the timeframe for any such obligation?

A16. Regarding the obligation to offer terms for communication services, we believe this is linked to our responses to Q13 & Q14. The most widely used WAN communications technology in metering today (in the UK advanced meter market) is GSM/GPRS. The actual process for transferring/novating communications contracts around the relevant sim cards is straightforward, tried and tested and so should create no problem for metering/data agents. UPL have handled such arrangements in the advanced meter market covering several thousand meters/sims proving interoperability arrangements. This evidence counters your assumption in 4.29 that incoming suppliers are unlikely to be able to use a meter in smart mode. Most suppliers' back-office systems will be set up to bill based on validated meter readings (D10 format) received via the DTN. Since the DCC will not initially be undertaking read validation, it is likely that in the initial smart world, readings will be retrieved via the DC agent (pre-DCC), validated by that agent and transmitted to the supplier still in D10 format and using the same DTN. Thus there should be no 'back-office' reason why suppliers would be unable to utilise meters in 'smart' or automatic mode as long as their DC agent has the technology to read the meters.

Question 17: Do you have any comments on our proposed approach for dealing with prepayment?.

A17. No comment offered.

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?

A18. Since our suggestion is to put the back-stop obligation with the meter/data agent via model industry agreements, we do not believe there should be a de-minimis threshold.