

COMMERCIAL INTEROPERABILITY : PROPOSALS IN RESPECT OF MANAGING DOMESTIC CUSTOMER SWITCHING WHERE METERS WITH ADVANCED FUNCTIONALITY ARE INSTALLED

CE Electric UK is the licensed electricity distribution business for the north east, Yorkshire and parts of northern Lincolnshire, operating through its two licensed subsidiaries, NEDL and YEDL. We welcome the opportunity to take part in this consultation, to which we are responding in view of our role as a meter asset provider of traditional meters and potentially a meter asset provider of smart meters.

Technical and commercial interoperability are both important to the successful deployment of smart meters. Technical interoperability has been generally accepted as a desirable outcome. Commercial interoperability remains under discussion. Whilst this consultation deals specifically with commercial interoperability in advance of the roll out of smart meters, the approach adopted in this period remains important because of the precedent it sets and the difficulty of changing practices once they become ingrained. As a result, comments we made in response to the Ofgem Spring Package (attached for ease of reference) are valid in the context of the present consultation.

CE Electric fully supports a market approach to the ownership and roll out of smart meters. This is the best way to keep costs down for the customer and stimulate innovation in the market. However, as with many other markets including electricity supply itself, if there is no guidance provided in relation to market structure, the development of effective competition may in fact be hindered. This is particularly the case for smart meters, where the danger of stranding assets is high and can lead to either the temptation to create barriers to entry in order to protect investment, or a lack of entry into the market due entrants taking a view that risks are unacceptable.

Therefore, whilst we fully understand, the logic behind Ofgem's view to wait to see if standard approaches are developed by the market before considering introducing regulation, in our view we consider that strategic guidance and encouragement by policy makers in relation to contract structure (for example, on the treatment of installation and maintenance costs), and the development of a default contract to enable smaller parties to participate equally in the market, would help establish consistency in approach and thus help an effective market to develop. This is, after all, the approach adopted by Ofgem in relation to many other electricity market arrangements and so is familiar to the potential participants.