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Dear Tabish,

Commercial Interoperability: proposals in respect of managing domestic customer switching where meters with advanced functionality are installed

SSE is pleased to provide comment on the above consultation. We welcome the ongoing engagement with Ofgem with regard to its proposals for commercial interoperability and have provided answers to the specific questions posed by Ofgem in the attached annex.

Key issues

- **SSE disagrees with a licence condition that excludes smaller suppliers from the obligation to offer services for the use of an ADM.**

SSE is supportive of protecting customers' rights to switch supplier and continue where practicable to experience the benefits that some ADM functionality may deliver. We support the threshold approach to differentiate between suppliers carrying out limited trials and those installing larger numbers. Where these thresholds are crossed it is important that these interoperability services are offered to allow the incoming supplier the opportunity of supporting the features that the customers desire.

The provision of these services must be regardless of the suppliers involved and therefore SSE cannot accept that small suppliers should be excluded from the obligation to provide these services. This could effectively result in customers who are supplied by 'smaller' suppliers being locked in to that supplier unless an interoperable solution can be found.

SSE is of the view that explicitly precluding smaller suppliers from being obliged to offer services upon change of supplier effectively creates an uneven playing field for all suppliers installing smart metering equipment ahead of the mandated rollout. SSE considers this to be completely unacceptable in a competitive market as suppliers could be precluded from offering a significant number of customers ADM functionality should they wish to transfer supplier. This could effectively result in customers who are supplied by 'smaller' suppliers being locked in to that supplier unless an interoperable solution can be found.

This could remove customer choice of supplier as regardless to whom the customer might wish to switch the incumbent small supplier would not be required to provide services to a competitor, irrespective of whether that competitor is another 'small' supplier or one of the major six. This would distort the market to the detriment of customers and competition in supply.

- **SSE would appreciate clarification as to what Ofgem consider is appropriate in terms of licence condition 3(b).**

Licence condition 3(b), as stated in Annex A, requires suppliers to provide information that they consider to be reasonable in order for the incoming supplier to maintain ADM services. SSE would appreciate clarification as to Ofgem's interpretation of 'such information as is reasonably required'. Our interpretation of such a licence condition would oblige the supplier to make the relevant platform for interoperability available. This would not involve the outgoing supplier being required to provide specific technical information as this would prove to be an overly burdensome process. Following recent discussions with Ofgem it would appear we have reached a consensus on this issue.

- **The drafting of the current licence condition gives suppliers no option but to accept the customer's understanding of their ADM functionality.**

Ofgem needs to appreciate that the vast majority of customers will not fully understand the operational aspects of their ADM should they have one installed. There are also a high number of tariffs that suppliers currently offer that contain add-ons that could be misconstrued by the customer as an ADM device. Therefore, SSE would not consider it to be appropriate for Ofgem to take enforcement action against a supplier that has acted with good intentions based on information provided by a customer. SSE intends to record information relating to the customer's interpretation of the ADM they currently have installed.

Government has stated elsewhere that it considers verbal consent is not sufficient, particularly in relation to sales and marketing during the installation visit. SSE is therefore at a loss to explain how Ofgem consider this to be appropriate in this area.

- **Interoperability without the Data Communications Company (DCC) will prove to be very difficult due to the various workarounds that will be required.**

The majority of Ofgem's proposals are required as a result of suppliers installing metering equipment with some 'smart' functionality prior to the DCC's services being available. SSE would wish to guard against the situation where we have invested a significant amount of money and diverted valuable resource to develop internal systems that facilitate these proposed changes, only for them to be rendered superfluous when the DCC becomes available. Ofgem should give due consideration to this prior to making any final decision in relation to commercial interoperability. Also, by introducing a plethora of interim conditions Ofgem may also hinder development of the mandated smart metering rollout.

- **Ofgem needs to take into consideration the other major industry changes that are taking place on the same timescale.**

Ofgem also needs to give consideration to the other major industry changes that are expected in the near future. For example Green Deal, Mandatory Smart Rollout, Information on Bills, Retail Market Review, Spring Package Consumer Protections etc. Each of these will require significant IT investment in order to achieve their full potential.

- **Deployment of ADMs in prepayment mode must be limited to 5,000 per supplier prior to DCC go-live.**



SSE remains very concerned that widespread roll-out of prepayment ADMs will damage the reputation of the programme as we do not believe that commercial interoperability is a practical proposition prior to DCC go-live.

Please call me if you have any questions about our response, which we would be pleased to discuss in more detail.

Yours sincerely

Steven Findlay
Regulation

Annex

1. Do you agree that suppliers should be required to inform the customer of any potential loss of service before a switch takes place?

Ofgem needs to appreciate that the vast majority of customers will not fully understand the operational aspects of their ADM should they have one installed. There are also a high number of tariffs that suppliers currently offer that contain add-ons that could be misconstrued by the customer as an ADM device. Therefore, SSE would not consider it to be appropriate for Ofgem to take enforcement action against a supplier that has acted with good intentions based on information provided by a customer. SSE intends to record information relating to the customer's interpretation of the ADM they currently have installed. However, it is not possible for the supplier to know that the customer currently has additional functionality supported by their existing supplier. It is not reasonable for the gaining supplier to understand, based on the customer's perception of functionality, that they may lose some service as a result of change of supply.

We therefore support a condition to ensure that during initial sales calls with customers we question the customers to try to ascertain whether ADMs are installed and their operating mode. SSE would request that Ofgem alter the current drafting to clarify that this will meet the all reasonable steps obligation.

Also, Government has stated elsewhere that they consider verbal consent is not sufficient, particularly related to sales and marketing during the installation visit. SSE is therefore at a loss to explain how Ofgem consider this to be appropriate in this area.

2. Do you agree that the old supplier should be required to disable any misleading information prior to the switch taking place?

SSE is in agreement with this proposal. We are currently in the process of determining how this may be achieved with the ADMs and IHDs that SSE are intending to deploy. However, as there are many differing ADMs deployed by other suppliers it is inevitable that there may not be a solution for all of these and their associated IHDs. In our view, we cannot be held responsible for a third party's ADMs and/or IHDs' lack of capability in this area.

During a meeting between representatives of SSE and Ofgem it was discussed and a consensus was reached that would lead to a supplier replacing the pricing value with 'zero' in the calculation routines would be an acceptable approach. SSE would appreciate confirmation of this understanding from Ofgem.

3. Do you agree that the old supplier should be prohibited from removing historic consumption data from the meter?

Yes, in doing so the losing supplier will remove the customer's ability to assess consumption patterns thus preventing them from searching for a tariff to suit their circumstances etc.

4. Do you agree that suppliers should not be allowed to charge customers for the replacement of a prepayment ADM in these circumstances?

Yes, SSE agrees with the above proposal. Customers should not be affected by their supplier's decision to roll-out unsupported prepayment ADMs. The installing supplier should bear the commercial risk of doing so and hence the full costs attributable to changing the meter.

5. Do you agree that the old supplier must make available to the new supplier all the information they would need to help maintain the provision of services based on ADM functionality?



SSE is supportive of Ofgem seeking to ensure interoperability as far as reasonably possible. We have therefore considered the need for interoperability and consequently selected a platform that is readily available to be used by other suppliers.

SSE would support the provision of information that details how the new supplier may obtain these services. For SSE, that would include the platform service provider's identification in order for the incoming supplier to consider contracting with such party to maintain the current ADM functionality. Where such a service is available we would not support the provision of complex technical detail. However where a commercial platform is not reasonably available then full technical details as reasonably required should be provided.

Our interpretation of the current drafting of the licence condition would oblige the supplier to make the relevant platform for interoperability available. This would not involve the outgoing supplier being required to provide specific technical information as this would prove to be an overly burdensome process. Following recent discussions with Ofgem it would appear we have reached a consensus on this issue. We therefore seek clarification that the offer of a practicable service would be sufficient and once offered it would not be reasonable for the incoming supplier to request further technical information, i.e. that the offer does not need to be in a format that suits a particular supplier.

6. What kind of information would the new supplier need access to in order to ascertain whether they can maintain services?

As detailed in question 5, SSE have adopted a platform that is readily available to be used by other suppliers. Our interpretation of such a licence condition would oblige the supplier to make the relevant platform for interoperability available. This would not involve the outgoing supplier being required to provide specific technical information as this would prove to be an overly burdensome process. Following recent discussions with Ofgem it would appear we have reached a consensus on this issue.

We have detailed some of the challenges that would need to be overcome if it was the intention to move an existing ADM across to a different head-end associated with an incoming supplier:

This could involve a wide range of differing information sets and support actions. These would be required from the current supplier, their meter operator, head-end operator and communications suppliers.

The security arrangements with DLMS trusts, trusted SMS numbers, private circuits and APNs, etc will all have to be rebuilt on an individual basis for each ADM.

Depending on the communications arrangements for a given meter, there may also be a need to change the SIM card in the ADM to allow communication across a network which connects to the gaining supplier's head-end system. This applies most to the 'Global' GPRS platforms being developed by Vodafone, O2, EE, etc. These are effectively 'international' GSM networks so the standard UK concepts of moving SIMs between customers or porting them between networks do not apply.

It would be extremely challenging to support this approach and define in any meaningful way the information required. Hence our consideration of the need for interoperability and our selection of a platform that is readily available to be used by other suppliers.

7. Do you agree that a large supplier should make available on request all services that a new supplier would reasonably require to maintain some or all of the services relating to ADM functionality?

We do not understand the restriction to 'large' suppliers for these obligations and suggest this restriction is removed in the interest of protecting consumers

SSE is supportive of protecting customers' rights to switch their supplier and continue where practicable to enjoy the benefits that some smart functionality may deliver. We support the threshold approach to differentiate between suppliers carrying out limited trials and those installing larger numbers. Where these thresholds are crossed it is important that these interoperability services are offered to allow the incoming supplier the opportunity of supporting the features that the customers' desire.

The industry needs to agree on an urgent basis what it is that needs to be provided as a minimum service and their associated Service Level Agreements. The agreement would need separate schedules for credit operation of ADMs and for prepayment operation of ADMs. Once agreed these must be subject to robust governance. Without such definition it would not be possible to deliver services.

The provision of these services must be regardless of the suppliers involved and therefore SSE cannot accept that small suppliers be excluded from the obligation to provide these services. SSE is of the view that explicitly precluding smaller suppliers from being obliged to offer services upon change of supplier could effectively result in customers who are supplied by 'smaller' suppliers being locked in to that supplier.

This could remove customer choice of supplier as regardless to whom the customer might wish to switch the incumbent small supplier would not be required to provide services to a competitor, irrespective of whether that competitor is another 'small' supplier or one of the major six.

8. Do you consider that the proposed volume thresholds are appropriate? If not, please suggest what would be more appropriate thresholds?

As explained in our response to Q7, we do not understand the restriction to 'large' suppliers for these obligations and suggest this restriction is removed in the interest of protecting consumers.

SSE remain very concerned that widespread roll-out of prepayment ADMs will damage the reputation of the programme as we do not believe that commercial interoperability is a practical proposition prior to DCC go-live. We propose that the deliberate deployment of ADMs in prepayment mode should be limited to 5,000 per supplier prior to DCC go-live, or until there is demonstrable proof that a practicable and cost effective fully interoperable prepayment solution exists.

We do not believe that prepayment services can practically be delivered without the incoming supplier potentially suffering unreasonable costs. We therefore believe the option of replacing the meter is vital and that the installing supplier must remain liable for the direct cost and any subsequent consequential costs that arise as a result of this replacement.

Ofgem has stated that the thresholds stand alone, e.g. only once any prepayment threshold is exceeded must prepayment services (as defined within our response to question 7) be provided. We feel the current drafting does not make this sufficiently clear.

9. What costs do you consider suppliers will need to incur to ensure compliance with the proposed licence conditions?

Ofgem need to recognise the volume of work SSE has underway and planned to ensure we are ready for the start of mandated roll-out. As such SSE does not have the capacity to undertake additional projects associated with interim interoperability without putting the entire

programme at risk. Hence, if a gained meter is not on our selected platform it may not be practicable for SSE to support the meter in ADM mode.

Modification to our systems to accommodate anticipated changes to the industry flows and other industry databases will be significant. Until DCCG WG2 SGC determines the required changes and we have completed an impact assessment we are not in a position to estimate these costs.

We have considered the need for interoperability and consequently selected a platform that is readily available to/used by, other suppliers. Therefore the cost of providing services via this platform should be reasonable as any costs will be shared by all users of the platform.

10. Do you consider that additional incentives are necessary for suppliers to avoid ADM meter exchanges on a change of supplier where possible?

SSE believes that prepayment installations must be restricted to trial volumes and the customers should understand the implications of the trial ending (potential reversion to legacy prepayment metering). We therefore support the need for additional incentives. We believe such a financial incentive would serve two purposes:

- 1) Encourage the development of practical prepayment services; and
- 2) Preferably inhibit the installation of ADMs for prepayment purposes.

Inhibition is a preferred outcome since we do not believe that these services can practically be delivered without the incoming supplier suffering unreasonable costs, leading to meter exchanges. Meter exchanges are often challenging in a prepayment environment. Customers may be resistant to appointment requests and in-any-event will clearly be inconvenienced by the meter exchange. This disruption – through no fault of the customer - risks damaging the image of the Smart Metering Programme and could jeopardise future installations.

11. Do you consider that the measure outlined here places appropriate incentives on the installing supplier in respect of the costs of a meter exchange?

Yes, SSE is in agreement with the proposals.

12. Do you consider that £60 represents an appropriate proxy for the cost of a meter replacement in these circumstances? If not, what would you consider to a more appropriate amount?

We support the rationale that the installing supplier should bear the additional costs incurred in a meter exchange if it is not reasonable for the new supplier to keep the ADM in service. The cost of the installation must be recovered and SSE considers Ofgem's suggested rate is suitable.

However, this is only one aspect of the costs associated with this activity. All new prepayment meters will have termination charges, these reflect the age of the meter when removed. Ofgem's proposals would result in SSE moving to a situation where the original prepayment meter would have been quite old when replaced during the roll-out to the newly installed meter being far younger upon replacement during the roll-out. This will incur an increased termination charge, this additional cost should also be borne by the installing supplier when the meter is replaced in the roll-out.

Also, Ofgem need to give consideration to the scenario where a customer currently pays for energy through a prepayment for both fuels and a change of supplier was to occur on the electricity ADM (which contains the integral communications hub). In this situation, if the incoming supplier cannot support the prepayment ADM this would result in a meter exchange.

Subsequently, the gas prepayment ADM will no longer function. The gas supplier would need to arrange a separate visit (potentially by the installing supplier) to install a separate communications hub (NB this is not currently technically possible). The cost of these replacement works should also be borne by the installing supplier rather than the current supplier. This process has a high propensity for error, coupled with multiple visits to the consumer's premises causing dissatisfaction. This scenario is another example of how the roll-out of prepayment ADMs beyond trial volumes during the foundation stage may lead to the programme gaining a poor reputation.

13. How long a lead time do you consider is appropriate for enabling suppliers to be compliant with the proposed licence conditions?

The industry needs to agree on an urgent basis what it is that needs to be provided as a minimum service and their associated Service Level Agreements. The agreement would need separate schedules for credit operation of ADMs and for prepayment operation of ADMs. Once agreed these must be subject to robust governance. Without such definition it would not be possible to deliver services. Their complexity/impact will determine the lead time required, we suggest this would vary from a minimum of 6 months to in excess of 18 months once the required services are nationally agreed.