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Dear Tabish

Smart Meters – Supportive Effective Switching

Thanks for the opportunity to respond.

We support the principles underpinning the decision document, i.e. that on change of supplier, customers should ideally not lose core smart functionality and should understand any changes in functionality prior to the decision to switch.

Industry processes must be built to ensure good customer experience on change of supply and no lock-in of consumers. The Licence Condition must not come into force before this can be implemented, and we are committed to supporting this within the Smart Meter Implementation Programme. An implementation date of June 2012 is not possible. Indeed, we would expect that DECC and Ofgem would work very closely together to create a joined up implementation plan to DCC go-live. Further work is required to ensure that DECC's proposals for interoperability and Ofgem's switching arrangements are joined-up effectively.

Together with actual developments, actual delays, and possible policy changes such as exemptions for installing smart meters, this licence condition may have the inadvertent impact of causing multiple smart meter platforms, thereby adding cost, complexity, exception management and confusion to consumers. Not all of these costs will fall on the installing Supplier but some may be socialised. This combined impact must be considered in more detail before implementation of this licence condition.

A fundamental principle of the smart programme has been that change of supplier should not be impeded by the presence of a smart meter, and especially that change of supplier should not require a change of meter. This principle could be inadvertently violated by the implementation of this licence condition, due to technical interoperability issues with non SMETS2 meters.

The Impact Assessment must always remain the benchmark for decisions in smart. The challenge of integrating meters with different standards is likely to drive high costs. These costs are passed to the customer, ultimately making their energy less affordable. Moreover, as energy becomes more expensive,

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and customers face a difficult experience when changing Supplier, it undermines their trust in Smart. Trust is also damaged as service levels are compromised by supporting a variety of metering systems in the field, which may not be exchangeable with equivalent components from different manufacturers.

The Initial customer acceptance of smart, around which these proposals are formed, sets the tone for the whole programme. If customers receive a poor experience through industry arrangements which are not properly considered, then it will have a knock-on effect on the entire programme as, for example as access rates are reduced. Indeed, for companies concerned about customer experience, the Ofgem switching arrangements disincentivise deployment – We are reluctant to deploy in volumes above the interoperability threshold until we can be assured that our customers will get an adequate switching experience. We are more confident that this will occur when second generation (SMETS 2) meters are available in the market in late 2013

Our detailed comments are enclosed

Yours sincerely

A handwritten signature in black ink, appearing to read "Chris Harris".

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**OFGEM – SUPPORTING EFFECTIVE SWITCHING FOR DOMESTIC
CUSTOMERS WITH SMART METERS
RWE npower RESPONSE TO DECISION DOCUMENT**

SUMMARY

We believe that the over-riding imperatives in introducing smart are customers' experience and cost effective implementation. Failure on either of these points could jeopardise acceptance of the entire smart rollout.

Whilst we are supportive of the principles of the decision document, we believe that the imposition of licence obligations from the end of June, when the industry has not yet agreed the mechanisms and processes needed to underpin the arrangements is premature. It is our view that these arrangements cannot operate effectively and to the benefit of the customer without the requisite changes to the industry change of supply processes. We would strongly recommend that a working group is established under the DECC Smart Metering Implementation Programme (SMIP) to agree the processes and changes that would be needed to support the obligations as a matter of urgency. We believe that DECC is planning to establish such a group, the Interim Operating Model Sub-group. Licence obligations should only come into effect once these mechanisms are in place.

All previous debates in respect of interim arrangements have been for compliant meters only, with non-compliant meters always being managed as traditional assets. This was a clean way to manage such assets and could be easily explained to customers. The new proposals have widened the scope considerably, introducing risk, cost, and complexity. We are not convinced that these are in the best interests of customers for the following reasons:

- The proposal that these arrangements should be in place until at least 2019 means that these arrangements will have to continue to run in parallel with the DCC arrangements for the duration of rollout. Indeed, the recent letter from the Minister in terms of exemptions from the rollout obligations raises the possibility that they may have to remain in place for even longer.
- The work of the DCCG Interim Interoperability Sub-Group (IISG), which met for a significant part of 2010 and into early 2011, examined a range of options for interoperability arrangements prior to the establishment of the DCC. These options were largely discounted on the basis of cost and complexity. This was particularly true for the option that required all suppliers to make their own interim communications arrangements and then provide a service to other suppliers following a change of supplier event. It was also recognised that this would require transparency of costs and services, published if necessary, to ensure consistency across the market. The proposals in this decision document are broadly similar to that option but no transparency of costs is proposed. Furthermore, an underpinning assumption for that original work was that the arrangements would apply only to compliant meters and that any other Advanced Domestic Meter (ADM) would be managed as a traditional meter following a COS event. The scope of this decision document goes far beyond that original analysis



and none of these costs are included in the DECC Impact Assessment, which already recognises that suppliers do not have a 'stand alone' business case to implement smart metering. This will result in increased costs being passed to customers, which will ultimately make their energy less affordable, undermine their trust in smart and may compromise mass rollout.

- The wording of the obligations is such that the installing supplier is always assumed to be the losing supplier in a Change of Supplier (COS) event. Given that the obligations are to be in place until the end of rollout (and possibly well beyond), this will rapidly cease to be the case, as customers churn on a regular basis. This introduces the concept of a new party at change of supplier – the installing supplier – which is a significant industry change. This cannot be managed without industry change to support it. Given the duration of the obligations, there may also be change of customer events, which means that the customer cannot be regarded as a source of this information. We believe that it would be more appropriate to place the obligations on the losing supplier.
- We are not supportive of the proposal to exempt small suppliers from the obligations. We believe it creates a 2 tier experience for customers, prolongs cost and uncertainty everywhere else, as we all have to keep interim process going so as not to compromise customer switching.

We believe that the Foundation period is essential for the industry to achieve the operational learning that will ensure a successful and timely completion of the rollout which does not compromise customer trust nor drive additional cost that will impact affordability for industry and customers alike. We would like to see a working group set up under the DECC SMIP to design and implement the industry changes that will be needed to underpin the arrangements. The timing of the introduction of these obligations should then be linked to the implementation date and associated industry change window.

INFORMATION TO BE PROVIDED IN RESPECT OF ADVANCED DOMESTIC METERS

SLC 25B.1

(a) We are supportive of this obligation on all suppliers, as this should be standard practice to ensure that the information displayed on the customer's display unit is accurate.

(b) In respect of the obligation to ensure that historical information remains on the meter, we believe that this is standard smart meter functionality and that, although pricing / tariff information can be removed from the meter, consumption history cannot. If such an obligation is required then it would be better placed on the losing supplier (which may not always be the installing supplier).

SLC 25B.2

Whilst we support the principle of the obligation, that of providing customers with clear and unambiguous information thereby enabling the customer to make an informed decision in respect of supplier switching, we are of the view that this cannot be achieved without appropriate industry change that will enable suppliers to confidently identify ADMs prior to any sales approach to the customer. Ofgem



'encourages' the industry to make changes to registration systems to support the arrangements but there is no obligation on the network operators, who own these system, to make such changes. We therefore do not consider the effective date of 30th June 2012 to be reasonable.

A clear industry mechanism is needed to identify these meters for the following reasons:

- Customers are not always aware of the type of metering they have, or the functionality it offers. Typically, clip-on displays have been described as smart meters, which they are not. We believe that this will confuse some customers.
- The customer may not know who installed the meter originally – it may not even be the same customer.
- Suppliers may be reluctant to provide the information and will get very early indication that their customer is thinking of switching. Given that this occurs prior to any industry processes, it provides the current supplier with an opportunity to persuade the customer not to switch, thereby potentially acting as a barrier to switching.

SLC 25B.3

Suppliers are required to retain proof of compliance with this obligation. This introduces new sales processes and may have particular impact on switching websites, where it is unclear how the obligation can be met. We do not believe that this can be resolved in the proposed timescales.

SLC 25B.4

We support the requirement to inform the customer of the potential loss of functionality following a COS event when installing a smart meter, subject to the comments above.

GENERAL OBLIGATION TO HELP MAINTAIN ADVANCED DOMESTIC METER SERVICES

SLC 25B.6

In principle we are supportive of the proposal but have concerns around the practicalities of achieving this without appropriate industry change to clearly identify both ADMs and the installing supplier. In particular we have concerns on the impact for the change of supply process.

- The installing supplier may not be the current supplier
- The thresholds after which this obligation becomes effective are very low and could easily be exceeded as part of a robust commercial trial. This does not mean that suppliers have the capability to support a service to other suppliers.
- The introduction of this obligation impacts **every** change of supplier event from June 2012, regardless of the metering arrangements at the property. This will impact suppliers and switching sites alike.

SLC 25B.10 Consistency of Threshold Application

We do not believe that the current wording of licence condition 25B.10 supports the intent of the obligation. As currently drafted it states that those suppliers who have less than 250,000 customers AND have installed fewer than 25,000 ADMs are



excluded from the obligation to provide services to the gaining supplier that enable that supplier to maintain the smart functionality of the meter. This would mean that any large supplier would be obliged to offer those services even where they have not exceeded the proposed threshold. Our understanding of the decision is that this is not the intent and that large suppliers who have not exceeded the threshold would also be exempt. Equally, a small supplier who has installed more than 25,000 ADMs would not be exempt under the current drafting. The wording of the licence obligation should be amended to reflect the intent.

SLC 25B.11 Proposal to Exempt Small Suppliers

We do not support the proposal that small suppliers (those who supply fewer than 250,000 domestic customers) should be exempt from these obligations. It drives a poor customer experience and adds cost to other industry parties.

REPLACEMENT OF A PREPAYMENT ADVANCED DOMESTIC METER

SLC 25B.12

In principle we are supportive of the proposal not to charge the customer for any meter exchange that may be necessary to enable the customer to remain on a prepayment tariff. However, we are disappointed that the original consultation proposal to be able to pass the cost of the exchange back to the installing supplier has not been upheld. This is at variance with the assertions that suppliers who deploy smart meters early do so at their own risk and may also drive a barrier to switching for customers who have ADMs operating in prepayment mode.