Harpal Bansal
Smarter Markets
Ofgem
9 Millbank
London
SW1P 3GE

7 March 2012

Dear Harpal,

Promoting smarter energy markets

EDF Energy welcomes this consultation. Smarter markets, and in particular smart metering, will create many opportunities to improve consumer engagement, retail market development and market processes.

We believe that Ofgem should focus its attention on the priority elements, which we believe are:

- To improve the customer change of supplier process;
- To develop time of use pricing (in relation to the Retail Market Review);
- To consolidate certain existing codes into the Smart Energy Code;
- To replace profiled electricity settlement with half hourly settlements.

We believe that DECC should carry out the work on demand side response due to the impact this has on the roles of market participants.

In respect of Ofgem's response to the consultation, EDF Energy want to see a road map of when each area will be focused on by the Smarter Markets team (or DECC), and also a timetable developed for the necessary industry changes to be implemented. This would help EDF Energy with resource and operational planning.

In many of the areas covered in the consultation, customer trust and customer engagement will be crucial to success. This includes time of use tariffs (TOU), energy services, and demand side response. For smarter markets to work to deliver, it is the responsibility of all participants within the energy industry: the regulator, suppliers, consumer groups, energy services companies (ESCo's), demand aggregators, and network operators to ensure that consumer trust, education, and engagement improve.

The areas of data processing, demand side response, time of use tariffs and settlement development, are linked and have the potential to help the industry and customers minimise costs of their energy. Static time of use tariffs can be introduced with smart metering, whilst data processing/data aggregation (DP/DA) should be moved into the DCC.

Incorporating DP/DA into the DCC provides an ideal opportunity for half hourly settlements to be introduced, although this is not an absolute requirement. Half hourly settlements (of currently profiled customers) should be introduced before the end of the proposed smart meter roll-out, or soon afterwards, to allow demand side response and

dynamic tariffs to be widely used to support the nation's newly emerging low carbon infrastructure.

It is EDF Energy's working assumption that there will be a positive business case for HH settlement given the expected growth in the electrification of heat, transport and low carbon generation. However, if a business case can not be made for the introduction of HH settlements, then the decision should, of course, be delayed.

Energy services create an opportunity, supported by smart metering, for customers to get more out of the energy market. EDF Energy supports the proposal to unbundle these services from domestic supply contracts.

The processes supporting prepayment metering are complex and costly. EDF Energy looks forward to the advantages that smart PAYG will create for both customers and suppliers. As smart meters are rolled out and the number of prepayment meters fall, there will come a time when the existing PP infrastructure is economically unviable. Ofgem will need to work with the industry to tackle this issue.

Smart metering should improve the operation of the change of supplier process, but we welcome work to identify improvements.

EDF Energy supports code consolidation where this simplifies market arrangements. The time and cost of introducing the new code may in this instance be more than the benefit and does need to be factored in to any decision on the matter.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact my colleague Andy Jones on 07875 119072, or myself.

Yours sincerely,

Paul Delamare
Head of Downstream Policy and Regulation

Attachment

Promoting smarter energy markets

EDF Energy Responses to Ofgem's Questions

Time of Use tariffs

We believe that the Retail Market Review (RMR) proposals will need to evolve further to work effectively in a smart metering market. There is a clear tension between the need for simplicity in consumer choice that drives the RMR proposals and the additional complexity in Time of Use Smart tariffs foreseen in the future. The priority for any evolution should be maintaining simplicity for consumers in the decision process to enable the benefits of smart metering to be realised by the largest number of consumers possible.

Proposition 1: Time-of-use tariffs should help consumers lower their energy costs, but improved engagement will be needed to help all consumers make informed choices.

Question 1: Do you agree with the propositions set out in this chapter?

Ofgem should focus on electricity for both Time of Use tariffs and Demand Side Management.

There is a small scope of weekday / weekend pricing and summer / winter tariffs with gas which may happen at some point, but is not currently a priority.

Ofgem should clarify how the RMR proposals will work in a smart metering market, which will be important for achieving the cost benefits of behaviour change through greater understanding of energy use. We believe the proposals will need to evolve with the introduction of smart metering to allow multiple evergreen variable tariffs in this market, while maintaining the principle of simplicity of tariff comparison.

EDF Energy agrees that static time of use tariffs can be used from the start of the smart meter roll-out to begin the process of improving transparency of energy costs, and to provide benefits to those customers with better than average consumption. However, we have doubts over the level of take up of such tariffs due to current insufficient customer engagement with energy consumption and the lack of perceived value of such products due to the low peak/off-peak differential of generation costs today. More sophisticated and dynamic tariffs are likely to be needed over time as elements of the lower carbon economy such as electrification of heating and transport and the growth of wind generation.

The story the consultation provides of simplification and sophistication is the right one. As tariffs become more sophisticated, the simplification aspect should not be lost in either the tariff itself or how it is communicated to the customer. Without improving customer

trust, understanding and engagement, the introduction of more sophisticated tariffs will fail.

EDF Energy agrees with paragraphs 3.10 and 3.11. On average, GB consumers will benefit from Time of Use tariffs, and all consumers will benefit from increased transparency, which may encourage a change in their behaviour. In the longer term behaviour change can also lead to better use of generation and network infrastructure and reduce dependency on fossil fuel imports, as a greater reliance on lower carbon generation could be exploited more effectively, e.g. Wind and Nuclear.

It is true that some customers will not benefit from time of use tariffs directly in the short term, as has been proven in the Australian smart meter roll-out. The management of tariffs for smart metering will be crucial for building customers' trust in the low carbon future. EDF Energy supports smarter market's analysis of understanding the distributional impact of new tariff types, especially for vulnerable customers, to find out how many customers might be affected.

We do not believe that customers should be forced onto a time of use tariff, as has happened elsewhere in the world, as this would be counter productive and detrimental. Building trust in the industry, customer engagement and education will be key to minimising the number of customers who fail to take advantage of the benefits available.

The automation of demand may also have a role to play where a business case can made due to the amount of energy that can be smoothed against the cost of introducing the additional hardware and DCC messaging.

It is important that smart metering is perceived positively. Ofgem should consider appropriate extra protection for vulnerable customers who genuinely cannot alter their times of energy use to lower their energy costs. However, if this protection covered a large section of customers, it would minimise the benefits for the many and would have impacts on the industry's ability to service demand using low carbon technology.

The remark in para 3.7 regarding suppliers configuring a meter via a teleswitch is incorrect. Traditional meters can only be configured manually onsite.

Question 2: For each proposition, have we identified the elements of current market arrangements that could help or constrain the realisation of benefits for consumers?

The evolving relationship to RMR for domestic customers is important when considering time of use and EDF Energy support standardised pricing structures for domestic customers with all products and tariffs having a simple rate structure based on national unit rates. This would allow a simple basis from which customers could more easily perceive the benefits of smarter tariffs.

EDF Energy agrees that customer engagement is going to be key to increase consumer knowledge of Time of Use tariffs, how they can take advantage of them and why they are needed.

Some form of Half Hourly settlement is the major market arrangement that will need to be altered to establish dynamic tariffs such as Critical Peak Pricing (CPP) and Real Time Pricing (RTP). There may not be sufficient value for these to be realised. The industry does not, at present, need dynamic smart tariffs at the domestic or small business level, and this would complicate bills unnecessarily.

Question 3: For each proposition, have we identified the key issues, such as the timescales for any changes to market arrangements?

Time of use tariffs are likely to be offered by suppliers from the start of the roll-out without need for changes in market arrangements.

For example, market alterations will be needed to introduce dynamic tariffs to allow Profile Classes 1-4 customers to follow wind generation or to manage triad periods. These changes, particularly in settlement arrangements, are not needed at the start of the smart meter roll-out, as EDF Energy has concerns around the risk of making two major changes on top of each other. In any case, static time of use will meet customer and industry needs in the short term.

With regard to any regulatory provision of data for a customer who has a time of use tariff, EDF Energy will be responding to DECC's Data Access & Privacy Consultation, as it can be put into context with the wider data access questions.

Question 4: Are there additional opportunities for development in retail energy markets that we should include in the scope of our work?

EDF Energy has nothing to add.

Demand-side response

We believe that the Demand Side Response proposals will need to evolve further to work effectively in a smarter markets world. A key feature of this is the way that suppliers will be informed of DSR by third parties, which will impact demand forecasts. The commercial framework should also ensure that all parties focus on developing customer trust and allow a level playing field to participate in Demand Side Response. Within this work, DECC should consider the potential for conflicting needs between different parts of the energy chain, for example suppliers and DNOs, and how these will be resolved.

Demand Side Response and other energy services do not necessarily follow the supplier hub theory. Any work looking at commercial frameworks should also consider and evaluate the impact of this.

HH settlements are an enabler for the Demand Side Response market to grow.

Proposition 2: More efficient use of demand-side response can lower overall energy costs, but this will need coordinated changes to regulatory and commercial arrangements.

Question 1: Do you agree with the propositions set out in this chapter?

In principle, EDF Energy believes that price and carbon intensity should be the driver of change in customer consumption. Interventions to force the uptake of DSR are unlikely to be cost effective.

Smart metering will allow energy to be visible (within certain constraints), controllable and verifiable over half hourly periods. This will allow dispatchable smart meter demand to be used in EMR capacity auctions at the appropriate time.

The quick wins for demand side response are likely to be in the larger business customer and industrial market, so changes to market arrangements are not urgent. Smart metering will make DSR more accessible for PC1-4 customers and provides rewards for customers within contract terms and discounts in their bills as well as lowering overall system costs.

EDF Energy supports all the points in 3.22 in its ability to reduce carbon dioxide (CO2) by supporting wind generation intermittent supply, shifting energy from peak or by reduction of energy from peak and not used elsewhere. DSM should compete on an equal basis and not attract additional subsidies.

There are three parties in the industry who will be end users of DSR: .suppliers, DNOs and TNOs. These parties can interact directly with customers and become aggregators or do so via independent aggregators. However, the market should be set by whomever has the best business case, as this will relate to where the most value can be located in the end-to-end value energy chain. EDF Energy agrees that wholesale prices will drive most DSR. There could well be localised areas where the value is more for DNO use to resolve issues, especially for short periods of time, while a longer term solution can be put in place to resolve the issue permanently.

EDF Energy sees no reason why independent aggregators make it more viable to smaller consumers to participate in DSR, but it does increase competition.

At different times of the year or week there is potential for customers to offer their flexible demand to different parties to maximise the value for the industry and customers as long as it does not create any conflicts.

In response to para 3.31, rewarding customers via the tariff for DSR is one of the simplest mechanisms to recompense the customer and should not be restricted if the customer wishes to be rewarded this way. To provide additional payment methods outside the tariff

is possible as shown by Short Term Operating Reserve (STOR) today but it should be the choice of the supplier and customer if they wish to use tariffs in conjunction with DSR.

Question 2: For each proposition, have we identified the elements of current market arrangements that could help or constrain the realisation of benefits for consumers?

EDF Energy would support the development of a commercial framework for Demand Side Response for those customers covered by the smart meter roll-out. Where the control is not at the suppliers behest, the mechanism must not increase their costs by impacting the energy purchasing decisions which have already been made and which could potentially lead to imbalance charges.

The development of the commercial framework needs to take in to account the different needs of DNO, TNO and suppliers for Demand Side Response. The best way to minimise Demand Side Response issues between parties is have a clear understanding of how Demand Side Response will work and all parties use this in planned infrastructure investments to minimise possible problems.

With smart metering enabled services, such as Demand Side Response, the supplier hub principle will not necessarily be used. Ofgem and DECC should consider this in their work on smarter markets and DSR.

In the future, flexibility will be a viable tool to supporting security of supply, lowering customer bills and reducing CO2 emissions. DECC should review the future potential for energy efficiency and DSR in terms of cost and CO2 impacts.

A settlements change can allow tariffs to be used as the benefit mechanism for DSR, but, as shown by National Grid demand-side services, customers can be rewarded for some DSR outside of the tariff / settlements systems.

One area that will be more important in the future will be capacity and DSR should be part of the solution as pointed out in 3.33.

EDF Energy would like clarification on DNO charging arrangements via the smart meter tariffs, especially if they are to be changed how the principles of RMR and simplicity can be maintained.

Question 3: For each proposition, have we identified the key issues, such as the timescales for any changes to market arrangements?

HH settlements and DNO time of use price messages to recover Distribution Use of System (DUoS) charges are not needed in the short term for PC1-4 customers, and should be introduced when there is a need, rather than creating additional complications at the high risk period during the introduction of the DCC.

While DNOs, TNOs and suppliers have a vested interest in keeping the national infrastructure operating effectively, new entrant aggregators may not have the same interest. If regulation is important enough to put in place for DSR that suppliers, DNOs and TNOs have to follow to ensure effective operation of the industry, security of supply or customer trust, there cannot be an opt-out for small niche operators.

EDF Energy agrees that there is a link between the take up of time of use tariffs, customer engagement and demand response. However, demand response is unlikely to be a starting point for customers, but rather somewhere customers get to once they have enough trust in the energy market. This trust we believe will be achieved in part by simplifying tariffs in the domestic energy market and improving consumer's engagement.

Question 4: Are there additional opportunities for development in retail energy markets that we should include in the scope of our work?

EDF Energy has nothing to add.

Energy Services

EDF Energy believes that energy services products should be unbundled from domestic supply contracts to ensure simplification and transparency for the customer.

EDF Energy believes the definition of Energy Services in the consultation is too wide and that different Energy Services have to be treated differently to each other, such as customer access to data, how switching sites will work or heat pumps.

The main consideration must be the ability for the industry to build and maintain customer trust in energy services. To do this regulation should be 'light touch' to allow the market to innovate and develop, but all parties involved in a particular energy services should be subject to the same rules and regulations. One rogue energy services provider could impact trust in energy services, smart metering and the wider energy market. Regulation could be enacted via the Smart Energy Code (SEC).

Proposition 3: Innovation in energy services would increase the consumer benefits of smart metering and can happen without major change to the regulatory framework.

Question 1: Do you agree with the propositions set out in this chapter?

EDF Energy believes customers should have free access to their energy data and usage. For smart metering to be a success, customers will need the ability to engage with the energy market and get the most out of it. Customers using data will be vital to the Impact Assessment being realised for smart metering.

EDF Energy thinks that regulation on this should be 'light touch' in most instances, allowing the market to develop and innovate without placing restrictions that will create barriers. An example where we would welcome Ofgem work is switching sites role within

smart metering to ensure that the level of regulation is correct to ensure customer trust is maintained.

All service providers should be subject to the same level of regulation to ensure customer confidence in energy services, smart metering and the wider energy market. Any regulation of energy services using the DCC should be done via the SEC.

Question 2: For each proposition, have we identified the elements of current market arrangements that could help or constrain the realisation of benefits for consumers?

EDF Energy believes that energy services products should be unbundled from domestic supply contracts to ensure simplification and transparency for the customer.

Question 3: For each proposition, have we identified the key issues, such as the timescales for any changes to market arrangements?

Energy services are going to be key from the start of the smart meter roll-out, as some early adopters are likely to want to take advantage of the possible energy services. Many of these energy services are likely to be data driven, so the DCC will have to be tested fully before mass roll-out, as negative customer feedback of energy services at the smart meter rollout will have a large impact on future development and take up. Early adopters will take smart meters and energy services first by definition and they are key opinion formers for customers, so the smart meter roll-out has to be correct from the start.

Items such as Electric Vehicles (EV), heat pumps and microgeneration (according to Smart Grid Forum workstream 1 assumptions) will not be mass market until the smart roll-out is complete, and so market arrangements around these items can happen later than DCC go-live if they are to impact any part of the smart meter roll-out.

Question 4: Are there additional opportunities for development in retail energy markets that we should include in the scope of our work?

EDF Energy has nothing to add.

Payment Methods

The main area EDF Energy would like further work on in payment methods is how to close dumb prepayment processes down once smart metering prepayment is prevalent in a geographic area and Great Britain wide.

Proposition 4: Consumers will have more payment options, without changes to regulatory arrangements beyond those envisaged as part of the smart metering roll-out.

Question 1: Do you agree with the propositions set out in this chapter?

EDF Energy looks forward to the innovation that payment methods such as smart Pay As You Go (PAYG) will create for customers and suppliers. The roll-out of smart meters is happening in a competitive market where business cases dictate decisions. Prepayment metering is just one driver for smart metering prioritisation. A suppliers' ability to optimise the deployment of smart meters will be essential for keeping costs down, which will be better for all customers.

Once enough legacy prepayment meters in a particular geographic area have been replaced by smart meters, EDF Energy believes that Ofgem should support suppliers in stopping the legacy prepayment infrastructure (PPMIP), thus achieving overall cost savings and supporting all customers.

Smarter markets will also need to continue to support current payment options of Cash / Cheque or Direct Debit. This will also facilitate a change to Prepayment infrastructure due to the move towards remote communication. Smart prepayment moves the consumer away from a physical 'key' being topped up in a shop and inserted into a meter to a remote service transmitted over the communications network. A remote top-up service will enable new payment channels not currently available. These could be triggered via the In Home Display (IHD), telephone, internet, ATM, TV. They could even be automatically by the meter once the customers meter balance reduces to a set threshold.

The spring package introduced changes to protect the consumer from being remotely switched to PAYG mode without prior contact with the customer. This will ensure that PAYG mode can only be enabled where safe and practicable.

EDF Energy supports DECC's smart meter consumer engagement strategy being inclusive of prepayment customers as they are a significant yet complex part of the energy market involved in the smart meter rollout.

Question 2: For each proposition, have we identified the elements of current market arrangements that could help or constrain the realisation of benefits for consumers?

The use of an enhanced IHD could also facilitate PAYG functions for hard to access meters. For instance this could allow a customer to remotely:

- Engage the emergency credit facility;
- Trigger a top up message to a payment provider, or;
- Re-enable the meter after self-disconnection.

Misdirected payments could be significantly reduced if the functionality of the DCC is fully utilised. This could ensure that even if a customer attempts to top up their meter with the wrong card, the payment will always be passed to the registered supplier and the correct meter will always be topped up. Unfortunately the current processes defined by the Business Process Review Group (BPDG) are not using this opportunity to fully protect

customers, as those without correct identification will be turned away from a vendor without a top-up. This could be considered an opportunity lost.

Dual fuel facilities of 'single wallet mode' have also been removed from the Smart Metering Equipment Technical Specification (SMETS). This is unfortunate as customers with both electricity and gas prepayment meters will be unable to combine their accounts into a single energy prepayment balance that is able to serve both meters. Again, a relatively straight forward function has been removed from the meter specification to avoid complexity.

Question 3: For each proposition, have we identified the key issues, such as the timescales for any changes to market arrangements?

Commercial interoperability with SMETS 1 meters is a very significant risk. We should avoid a situation where different suppliers use different prepayment solutions prior to the delivery of the DCC. One of the advantages of the DCC and SMETS 2 is a national process for PAYG allowing ease of Change of Supply (CoS) process for these customers.

Question 4: Are there additional opportunities for development in retail energy markets that we should include in the scope of our work?

We believe that dual fuel prepayment with single wallet allows customers to service a single 'meter' balance (one payment card) that covers both fuels.

Settlement arrangements

EDF Energy supports HH settlements for all PC1-4 customers, ideally at the appropriate time after DA/DP is located within the DCC, if there is a supporting business case. EDF Energy does not believe altering the current electricity settlements processes before the introduction of HH settlements is a good thing.

Proposition 5: Settlement arrangements should use actual daily (gas) and half-hourly (electricity) meter reading data in order to improve their accuracy and efficiency.

Question 5: Do you agree with the propositions set out in this chapter?

EDF Energy would welcome Ofgem's consideration of how gas settlements for customers covered by the smart metering roll-out could be improved, including the possibility of daily gas settlements. EDF Energy's guiding principle to any changes is to reduce cost by aligning processes, where possible and practical, between electricity and gas. To minimise disruption, we believe changes to the gas settlements system should happen at the same time as the electricity settlement changes.

Electricity settlements for PC1-4 should be mandated for all customers, if there is a supporting business case. In the period of compliant smart meters to HH settlements, the industry should focus on improving current profiles and data quality within the process.

We should ignore a step change from altering profiles, as it will be costly and time consuming and by the time it has an impact, HH settlements are likely to be needed if recording of dynamic consumption is important.

Question 6: For each proposition, have we identified the right sources of costs and benefits associated with achieving them?

EDF Energy is concerned that the introduction of HH settlement may add significant costs to consumers and that many of the potential benefits can be realised through static time of use tariffs, as described in proposition 1. When HH settlement is introduced steps should be taken to reduce cost, for example, long lead times to fit in with suppliers IT upgrade paths and to avoid dual running with legacy arrangements. The working assumption for EDF Energy is there is a business case for HH settlements at present given the expected growth in the electrification of heat, transport and low carbon generation, however if a business case can not be made for its introduction then an decision on HH settlements should be delayed .

EDF Energy agrees with 4.23 that current settlement arrangements should be retained during the transition period to smart metering. They should not be introduced at the start of the smart roll-out but introduced at a point toward the end of the decade before it is needed, but allowing for time to bed down the smart meter roll-out and all associated systems and processes.

For HH settlements to be used in the PC1-4 as 4.16 points out additional charges for metering services and DNO charging methodologies will have to be reviewed and changed. With economies of scale given by PC1-4, EDF Energy would expect an impact on the charges for larger sites as well.

EDF Energy believes that PC5-8 should be looked at separately to PC1-4, but any synergies or common processes should be explored if it lowers customer bills without impacting the end-to-end running of the national electricity infrastructure.

Question 7: For each proposition, have we identified the key issues, such as the timescales for any changes to market arrangements?

Any customers left on dumb meters when HH settlements are introduced should also go through the HH settlement process on an algorithm as today, thereby ensuring that there is only one process in the industry and to ensure simplification.

The data needed for key industry roles such as reconciliation of billing, settlements and forecasting should be able to have the data needed to perform their roles as regulated duties to help reduce customer bills and CO2. This could be aggregated where it has no

impact on overall benefits. There should however be clear limits to the use of this data unless there is clear customer authorisation.

Registration and DP/DA should ideally be in the DCC before HH settlements begins.

Question 8: Are there additional opportunities to reform market processes that we should include in the scope of our work?

EDF Energy has nothing further to add.

Change of Supply process

EDF Energy supports Ofgems initiative to improve the Change of Supply process. The customer journey and experience with any changes should be at the heart of the work.

Ofgem should look at the opportunity to improve the Change of Supply process for each stage of the smart meter roll-out. These stages include DCC go live, registration in the DCC, DA/DP in the DCC and the end of the roll-out in 2020. Alignment of gas and electricity processes will also benefit customer and suppliers.

EDF Energy supports the reduction of switching time to three weeks, in line with the EU third energy package. Beyond this, we believe Ofgem should carry out significant analysis on the impact that the speed of switching will have, particularly around length of time for switching, for related activities impacted, especially process robustness, customer protection, energy forecasting and hedging strategies.

Proposition 6: The Change of Supply process should be reliable and fast, so that customers can confidently switch supplier on a next day basis.

Question 5: Do you agree with the propositions set out in this chapter?

EDF Energy supports the movement of the registrations systems into the DCC at the first opportunity, provided that it does not cause unnecessary risk to the registrations system or set up of the DCC. This change will be the foundation to solving many of today's issues and alongside a number of associated process improvements creates a faster more reliable, more efficient Change of Supply process. The ability to remotely read smart meters and centrally manage metering data will facilitate a smoother switching process and avoid many of the problems encountered by the current process.

EDF Energy supports Ofgem's objective of aligning electricity and gas processes as this would again support a better Change of Supply process and customer experience. The addition of data processing and data aggregation to the scope of the DCC would help ensure that only fully validated Change of Supply readings are provided on a timely basis. This addition would facilitate further improvements to the Change of Supply process by reducing the need to appoint metering agents and removing the need for each reading to be passed to a data processor prior to circulation. The DCC will be responsible for

distributing the same valid reading to all parties and thus removing many of the current problems, such as ensuring the closing and opening are the same on Change of Supplier.

We recognise that customers without a smart meter and still on legacy arrangements will not receive the benefits of the process improvements offered by the introduction of smart meters. They may have to stay on existing processes.

Four areas that should be considered when looking at how short the Change of Supply process could be are: customer protection (cooling off period), supplier hedging strategies, forecasting and process robustness. The shorter the Change of Supply process and more volatility of customer demand to a supplier, the less hedging that can be done, leading to more volatile prices for the customer who are able to switch quickly. This would create lower prices for customers who are on fixed deals.

Question 6: For each proposition, have we identified the right sources of costs and benefits associated with achieving them?

Objection rules currently conflict with the proposal to switch quickly. The rules would need to be revisited and a suitable reversal process would need to be developed. There will be a huge constraint to back office and central systems and processes to support daily switching.

Consideration will need to be given to non-domestic customers as they are currently constrained to fixed term contracts. Those who are out of contract would be able to take advantage of quick switching by if they have entered into a Metering Services Contract with a provider that has opted out of the DCC, they will be at a disadvantage. There is a requirement to ensure that any Metering Services Provider that chooses to Opt out of DCC services, must be able to facilitate the same, next day switch

Question 7: For each proposition, have we identified the key issues, such as the timescales for any changes to market arrangements?

There will be some improvements from smart metering and the DCC using the BPDG processes, but further improvements will be able to be made due to the introduction of registration to the DCC and then again with DA/DP going to the DCC and at the end of the smart meter rollout.

Question 8: Are there additional opportunities to reform market processes that we should include in the scope of our work?

Other related processes could well be improved in the same work or as further work. This includes processes such as change of agent and change of tenancy.

Data processing and aggregation

EDF Energy is in support of the data processing and data aggregation services being within the DCC.

The timing of the centralisation should be after registration is moved to the DCC but ideally before settlements become HH.

Proposition 7: Electricity data processing and aggregation services should be procured centrally in order to reduce costs and support fast customer switching.

Question 5: Do you agree with the propositions set out in this chapter?

EDF Energy would agree that the centralisation of data processing and data aggregation services in the Non Half Hourly (NHH) market is a sensible proposition which will deliver benefits to processes including the Change of Supply process that is specifically referenced in this chapter. However, our response recognises that centralisation of data processing and aggregation is not beneficial as a direct consequence of the implementation of the DCC or smart metering, but as a result of other planned and potential changes such as the inclusion of registration data and the associated processes within the DCC.

We believe that both domestic and non-domestic customers, whether they are mandated to use the DCC or Opt out, should be mandated to use the single DP/DA. In fact this will be essential to ensure accurate data aggregation within a traditional Public Electricity Supply (PES) area..

The DCC should be the operator of DP/DA to simplify the industry and processes. It will also mean the DCC can use the data easily to validate information as and when it needs in the simplest way possible.

Question 6: For each proposition, have we identified the right sources of costs and benefits associated with achieving them?

There is only a brief mention of cost in this section of the paper. The proposition suggests that a change to a single national DA/DP would reduce costs but it is not clear on where such savings would be made, one would presume that this is based on running one system rather than multiple systems. However, existing systems are mature and the costs are for operation, not development, and are driven by the volume of data being processed, which would be the same in a central system. Any new centralised systems would need to be designed, built and tested at a significant cost, which would need to be assessed to determine if costs are actually reduced overall.

There is also no indication of the costs of transaction from existing to proposed arrangements (see also the answer to question 7). Depending on how this transition occurs there may also be costs in running existing and new processes in parallel for a period that may be as long as 14 months.

EDF Energy agrees that the benefits in terms of the improvements to the Change of Supply process are correct; the transfer of data between agents (including dependencies on Meter Operators) is the largest single issue in delaying the generation of Change of Supply readings on a timely basis, while obligations exist within existing codes (specifically the BSC), these have not resulted in the required performance being delivered, a single centralised data collector would certainly improve this situation dramatically if not resolve it entirely.

However, EDF Energy also believes that it is possible that some improvements could be achieved without centralisation of these services, but instead through changes to existing processes as a result of the implementation of the DCC. If it is possible to source information directly from the meter via the DCC rather than relying on data provided by other data collectors then this would also provide significant improvements in this area. The tipping point is where centralisation has a higher benefit that changes to the existing process is the incorporation of registration data into the DCC as noted in the answer to question 7.

With all the data in one place, Processing and Aggregation should be much easier to assure, and the investment in properly securing one database must be more cost efficient than trying to do it to multiple smaller ones operated by several companies. This can be confirmed by the use of Xoserve for data validation in the current gas model.

Question 7: For each proposition, have we identified the key issues, such as the timescales for any changes to market arrangements?

Introduction of data processing and data aggregation should be done ideally at the same time or before the introduction of HH settlements to ensure only one set of systems have to be updated with the settlements change.

EDF Energy believes that there are some key issues with the proposition have not been highlighted or addressed in this paper:

The paper does not make any reference to the transaction from existing arrangements to a centralised service provision which is likely to be the most significant factor in centralisation of these services. It would need to be clear at what point centralisation would occur. Would this be on the installation of the smart meter (or its adoption into the DCC)?, would this be a 'big bang' data migration from existing service providers to the centralised systems or would this be a phased 'change of agent' approach? All of these options have a number of issues that would need to be addressed, for example even if the new installed smart meter was registered into the new centralised data collection system on installation, would the existing data collector still need to manage data until it has been through the final settlement reconciliation runs (which is a minimum of 14 months under current arrangements).

The paper does not take into account the full scope of the service provided by Data Collectors, this understandably focuses on the benefit to customers via improvements to the Change of Supply process and the generation of opening/closing reads, but it does not detail the potential impacts on the accuracy of data being passed into settlements and the associated costs to suppliers. The quality and accuracy of data used in the NHH settlements process is not just dependent on meter readings, but also alignment of data in the data collection and registration systems (MPAS), which is used by the data aggregator in its calculations. This data needs to be consistent for the readings obtained the Data Collector to be used in settlements, EDF Energy has obtained a significant improvement in its settlement performance as a result of insourcing all of its Data Collection activities as it is able to manage that data more effectively than through third party providers (which is what a centralised service would be).

If the sourcing of data to be used in the Settlements process does not change (specifically as a consequence of putting registration data into the DCC but also its access to metering data) then centralisation is likely to lead to decreased settlement performance as a result of data consistency issues, this has a cost to suppliers which may be based on to consumers. EDF Energy would therefore see the central data collection service being provided by the DCC as it would have direct access to the relevant data for use in the settlements process, any transfer of data between parties inherently carries an associated risk.

Question 8: Are there additional opportunities to reform market processes that we should include in the scope of our work?

If the aims of this proposition are to reduce cost and support fast customer switching, then EDF Energy believes that any analysis has to take into account all of the parties involved in the end to end Change of Supply process (which would include parties such as meter operators) to ensure that all issues in the current processes are identified and addressed, rather than only resolving one aspect of the process and leaving the rest 'broken'. This is what happened in the Customer Transfer Programme which did not achieve the intended results.

Code consolidation

EDF Energy supports code consolidation and the focus on retail energy market. This would reduce the burden on the industry and reduce costs.

Proposition 8: The Smart Energy Code should be used as a vehicle to consolidate existing industry codes dealing with retail issues in gas and electricity to facilitate market development and reduce administrative burdens.

Question 5: Do you agree with the propositions set out in this chapter?

EDF Energy supports the views of Ofgem that consolidation of core industry codes with a retail focus would be positive but we recognise the scale of the change and the associated

time required to make the changes would have to be assessed against the overall costs and material benefits. We believe that standard processes for entry, accreditation, governance and change control could simplify the current regulatory burden and reduce internal costs.

We also agree that the Smart Energy Code (SEC) is an opportunity to bring the current codes covering gas and electric suppliers, together under a single, dual fuel governance framework. This would be facilitated by the roll out of Smart Meters. The number of meters supported by legacy arrangements would reduce at a particular tipping point, the majority of meters could be covered under the SEC.

EDF Energy believes that it is essential to maintain legacy arrangements during the roll-out of smart metering until an appropriate point at which the number of meters covered by the legacy arrangements is low enough to close the codes. This point would be after the introduction of Registrations, data processing and data aggregation but prior to the end of mass roll out.

We also recognise that certain parts of specific codes (for example central generation metering under the BSC) would need to remain separate from the SEC under a revised code.

Question 6: For each proposition, have we identified the right sources of costs and benefits associated with achieving them?

EDF Energy believes that code consolidation could facilitate market development and reduce administrative burdens.

Question 7: For each proposition, have we identified the key issues, such as the timescales for any changes to market arrangements?

We believe that Ofgem has identified the key issues for any changes to market arrangements.

Question 8: Are there additional opportunities to reform market processes that we should include in the scope of our work?

EDF Energy has nothing further to add.

EDF Energy
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