

Paul Fuller,
Analyst,
Smarter Markets,
Ofgem,
9 Millbank,
London,
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Dear Paul

OnStream, a wholly owned subsidiary of Macquarie Group Limited, welcomes the opportunity to respond to Ofgem's consultation 'supporting effective switching for domestic customers with smart meters: additional statutory consultation and notice'.

We are a MAP with over 4 million meters, including over 100,000 domestic smart meters provided to energy retailers both as part of long term contracts and smaller scale and time limited trials.

OnStream is supportive of Ofgem's proposals as it provides a framework and natural incentives for consumers to continue to receive smart services on change of supply by:

- Ensuring end consumers understand the implications of changing supplier where they have a smart meter, so placing a natural incentive on the incoming supplier to want to continue the smart services to avoid the customer aborting the planned switch.
- Avoiding under-utilisation of assets by seeking to continue smart services on churn and thereby collecting a smart rent for smart use.
- Ensuring consumers receive a positive experience and understand the implications of receiving an early smart meter, so reducing the risk of poor customer perception building up ahead of the mass roll out of smart meters.

Link to Foundation and Mass roll out phase

The definition of ADM is wide, so ensures any kind of advanced meter deployed is captured under the obligation and provides a base set of arrangements for any kind of ADM installed.

Whilst this wide definition provides an important foundation on which to incentivise suppliers to retain smart services on change of supply, it leaves the obligation to support/provide the smart services on the installing supplier and no obligation on the incoming supplier to take the smart services which positively supports competition in the deregulated market. We believe it incentivises installing suppliers to put in cost effective and appropriate ADM's, while allowing the incoming supplier to take a commercial view on whether they and their potential new customer will get a better deal by replacing or not utilising the existing meter.

We understand that DECC will consult shortly on change of supply arrangements during the Foundation and Mass Roll Out Phases for SMETS 1 & 2 meters, so it is important that this

proposal links in with the proposals for how any obligation will switch from the installing supplier to the incoming supplier, what those obligations will cover and which version of SMETS meters will be captured under the DECC proposals.

In advance of DECC's proposals, we believe that any regulatory interventions for smart churn for SMETS meters should be consistent with deregulated energy supply and metering markets and should focus on the delivery of outcomes. Therefore, any interventions should be restricted to addressing market imperfections, primarily to protect consumers, whilst providing market participants the freedom to make their own commercial choices. We look forward to being involved in this next stage of the consultation.

Smart Meter trials

The proposals provide exclusions for the Ofgem EDRP trials, however, several energy suppliers, supported by OnStream, have conducted other smaller scale and time limited trials where it will be impractical to offer smart services on change of supply. These trials are with three of the "big six" energy suppliers.

- At the outset, the end consumers were all made aware that this was a short duration trial, so no expectations of longer term smart services was set.
- The associated underpinning capabilities and services to operate the smart meters were also all structured as trial arrangements, so are not of a sufficient robustness to support longer term smart use.
- One of the trials with two customers used the OnStream smart meter products. This is not a product that will be taken beyond the trial stage.
- The third trial has already concluded and the meters were "dumbed down" in March 2012.

We therefore have action plans in place that over the next three months:

- The suppliers will contact each of their end consumers describing the activities that will take place, depending on which operating mode their meter is in:
 - For credit customers the meter will stay in situ, but clearly identifying that the smart services currently provided will not continue. The consumer will not be able to use the meter in smart mode should they change to another supplier. The SIM will be disconnected and will be incapable of being switched back on.
 - Meters operating in pre-pay mode will be exchanged for dumb pre-pay meters.
- Where the smart meters remain in situ in dumb mode, the originating supplier of the smart meters will not need to onward provide smart services following change of supply to those meters on the basis that the consumer did not receive smart services prior to the change of supply event and that the SIM has been completely disabled, so is not considered an ADM.

We have discussed these trials with the three energy suppliers so that they can write to Ofgem imminently in line with the draft licence condition 25.B.11 to provide the rationale for why these

particular meters should not be considered part of the licence obligation to provide smart services.

Summary

We support Ofgem's proposals to introduce changes to the regulatory framework that deliver benefits to consumers and early installers of smart meters. However, further regulatory and technical certainty is required to ensure the obligations that pass from the installing supplier to the incoming supplier for retention of smart services are consistent with a competitive metering market structure. We look forward to working with DECC, Ofgem and other market participants over the coming months to deliver this objective.

Yours sincerely,

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