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Dear Paul,

Supporting effective switching for domestic customers with smart meters (published 29/03/12): further statutory consultation and notice - response from National Grid Metering

Thank you for your invitation of 29 March to comment on the proposed new licence conditions aiming to protect domestic customers with early smart meters, such that they are not disadvantaged when considering switching suppliers. National Grid Metering is a subsidiary of National Grid Gas, providing metering services to around 15 million domestic traditional meters. National Grid Metering has an enduring interest in current and future developments in the metering market, supporting the orderly transition to smart metering.

We understand that the intention for this new licence condition is to assist domestic customers in making well informed decisions when switching supplier without stifling innovation, testing and trialling of Advanced Domestic Meters (ADMs). Whilst we support this intention and the progression of ADM and smart meter development, we would suggest that the proposed licence conditions may not ensure continuity of ADM functionality due to the exemptions specified. As a result, we anticipate that domestic customers may still encounter either a loss of ADM functionality or a potential meter exchange when switching, resulting in additional inconvenience or cost. Ultimately, this may dissuade customers from pursuing a switch of supplier and restrict both competition in the market and metering technology trialling.

Encouraging communication and collaborative working between gas suppliers will be valuable in maximising the development and trialling of ADM technology through the Foundation stage of smart metering. Prior to full SMETS specification being finalised and the commencement of mass roll-out, delivering a compatible ADM metering solution will be an important factor in engaging customers in the smart programme. The proposed prohibition of charging customers for the cost of a meter replacement to maintain prepayment services on switching may also protect prepayment customers and ensure competition in this sector is not discouraged.

We appreciate that it will not always be possible for the installing supplier to provide services to the proposed new supplier in order to maintain full ADM functionality. However, the use of the wording "all or part of the services" in the proposed new Standard Condition 25B.6 (b) does not appear to provide adequate clarity of the obligation. We would prefer to see a

minimum requirement stated to align with the requirements detailed in 25B.1 (a) and (b), such as tariff resetting, historic consumption data retention and managing functionality to enable continued consumption management by the customer. Point 1.4 of Ofgem's Impact Assessment centres on the value to the customer of the ability to weigh up the "cost" of lost ADM functionality or that a meter exchange may be required in the event of switching. Removing ambiguity in the licence obligation for both the installing and proposed new supplier may increase the likelihood of this occurring. Point 1.12 of Ofgem's Impact Assessment discusses the risk of an increase in customer complaints if their proposals to support customer switching are not implemented. We would suggest that, without clarification of the proposed obligations, it will continue to be difficult to assess whether a switch will result in a loss of functionality or a need to exchange the meter.

Ofgem estimate up to 5 million ADMs may have been installed by the end of the Foundation stage and up to 1 million customers may switch during this period. We believe the ratio of domestic credit meters (DCMs) to prepayment meters (PPMs) in the total volume of ADMs installed is of greater significance. This is due to the exemption threshold of 5,000 PPM ADMs installed by any given supplier and the assumed proportion of switches involving these meters, where the proposed new supplier does not support PPM ADMs or ADMs in general. We are concerned that there may be the potential for suppliers to actively progress only DCM ADM installations to ensure their PPM portfolio stays below the exemption threshold. The proportion of PPM to DCM meters in traditional stocks would therefore increase, impacting the overall cost of meter provision. We therefore suspect that the majority of switching instances involving PPM ADMs may not be covered by the proposals. Customer and competition protection may not therefore be achieved and a disincentive to progress PPM ADM installations may be created instead.

In summary, we agree with the intention to protect customers with ADMs, aiming to facilitate them making well-informed decisions when switching. We feel that the nature and the scope of the proposed obligations and licence changes are appropriate. However, we would seek clarification regarding the specific obligations to be placed and an increase to the PPM ADM exemption threshold proposed to ensure as few exemptions as possible.

Please do contact me if you have any questions regarding this response.

Yours sincerely,

By e-mail

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