



Consultation on supplier reporting to Ofgem during the smart meter roll-out

British Gas response
7th October 2013

Executive summary

1. The proposed approach to submission of Roll-out Plans and Progress reports appears to be proportionate. We are pleased that the process has been synchronised with DECC reporting schedules.
2. We had expected the forecasting and reporting requirement to start earlier than 2016 since we share Ofgem's view that rollout, and therefore compliance, have already started. We recognise, however, that there is merit in covering only the final five years of the roll-out. It should reduce any temptation (or opportunity) for suppliers to provide conservative, easily-achievable forecasts in the early years. Therefore, we agree that the first mandated report should be in January 2016. We also support the proposal to operate the process on a voluntary basis from January 2015 as a learning exercise for all participants
3. We think that the wider tolerances in years one and two of the reporting are sensible and provide the right incentives for suppliers to set stretching targets. It is, however, important that Ofgem holds firm to the 2020 completion so that suppliers who have built the required capability are not disadvantaged through having invested earlier than is ultimately necessary. British Gas embraced Foundation because we saw it as essential to develop and embed the capabilities required to deliver a successful roll-out within the 2019 timescale. That schedule has already moved once. British Gas, having invested heavily to assure successful and compliant delivery, would be at significant commercial disadvantage if competitors' deferred investment and stalling were to result in further slippage to the Programme end date.
4. We would welcome clarification from Ofgem of what enforcement action is envisaged during and following the planned rollout period. In particular, we would welcome a statement over how 'double jeopardy' is avoided (if a missed target impacts on delivery in the years that follow) and how Ofgem proposes to ensure that sanctions are targeted on under-delivery rather than inaccurate forecasting. In our view, any enforcement action should be focussed at the end of the Programme, but taking into account a suppliers' record of achievement in preceding years. Thus a failure to address an obvious shortfall years earlier might merit a stronger sanction than an unanticipated crisis in the final year,

for example.

5. The proposals on resubmission of plans are little unclear in our view since it is implied that Ofgem is expecting a forecast every January. Our understanding is that there should be one forecast (January 2016) with the ability to amend this in January 2017 and January 2018, if required.
6. We are unclear on the purpose of requiring suppliers to publish their rollout plans but have no specific objection to this.
7. We believe that the progress reporting should include, but separately identify, the number of sites for which 'all reasonable steps' have been taken to install smart meters, but without success. All suppliers will reach a point at which programme completion is unachievable if infinite resources are devoted to sites that are, in effect, impossible to access without a warrant of entry. We think it would be sensible to agree some basic principles and a tracking process within the progress reporting, rather than waiting until the Programme completion date is looming.

Supplier Roll-out Plans

Question 1. Do you agree with our proposals for the content of the Roll-Out Plans?

- 1.1. We agree with the proposals as set out in the consultation which we regard as reasonable in order for Ofgem to fulfil its duties regarding the roll-out. We welcome, in particular, the alignment of content and timing with the DECC annual report.
- 1.2. We note that Ofgem has powers to request more detailed information and that any additional requirements will be considered and kept under review. That is entirely appropriate but it would be helpful to have early notice of any such additional requirements. Capturing certain data items can require systems modifications that often queue for resources and can, therefore, take many months to deliver.

Question 2. Do you agree with our proposal to ask for a single Roll-Out Plan for both gas and electricity (with separate Annual Milestones for gas and electricity)?

- 2.1. Yes, we think separating the milestones by fuel type is reasonable and something that all suppliers will be doing for their own planning purposes.
- 2.2. We think that, from an enforcement perspective, the milestones should apply to the overall customer base, and not be fuel-specific. Suppliers may choose or be forced to prioritise one fuel over another but still complete the planned overall total number of installations in a period. Under-achievement in one fuel may be mitigated by over-achievement in another.

Question 3. Do you agree with our proposals for which suppliers should be required to submit Roll-Out Plans?

- 3.1. We are not convinced that a separate regime is necessary for smaller suppliers. Irrespective of size, all suppliers will have developed plans on how they will complete their roll-out by 2020. Sharing that information with Ofgem will not be onerous or place a disproportionate burden on them. The impact of smaller suppliers on the overall programme will be minor but the process and rigour of providing a forecast

should be applicable to all in our view.

- 3.2. We accept that any slippage by a small supplier is much more easily recovered than by a large supplier and suggest that this should be where Ofgem could choose to treat smaller suppliers differently. The provision of information should be the same process for all; any enforcement action should be proportionate to the time required to address any shortfall.

Question 4. Do you have any comments about our proposed definition of 'small supplier' in this context?

- 4.1. The definition is reasonable but is not required in this context, in our view (see answer to Question 3).

Question 5. Do you agree that suppliers should submit their first mandatory Roll-Out Plan in January 2016?

- 5.1. Yes, we agree that it is reasonable for a plan submitted in January 2016 to be enforceable by Ofgem, since this is only five years from Programme completion.
- 5.2. We are confused by the term 'first'. Our assumption is that the rollout plan will be provided once in January 2016 and only resubmitted if the supplier requests it, following a change in circumstances.

Question 6. Do you agree with our proposal to have a voluntary submission of Roll-Out Plans in 2015?

- 6.1. Yes, we agree that it would be sensible to rehearse this process before it becomes mandatory, and to expose any ambiguities and difficulties ahead of full implementation. This proved useful for the DECC Annual Report, albeit a more complex and lengthy document than the Roll-out Plan.
- 6.2. The large suppliers have been forecasting their roll-out for some time now and, as for any plan, include certain assumptions about the delivery of 'key enablers'. It is not

necessary to delay planning until these are in place, but to review plans in the light of events. The Foundation period has enabled suppliers to make progress with smart installations today, since there is no hard dependency on many of the key enablers, though we recognise that there is insufficient certainty for future plans to be made binding under regulation. Providing a non-binding submission should not be particularly difficult for any supplier.

Question 7. Do you agree with our proposals to increase the tolerances on the Annual Milestones at the end of 2016 and 2017 to 10% respectively? Please provide evidence to support your view.

- 7.1. We support the proposed tolerances and the principle that they should become narrower as Programme nears completion. By operating only during the last five years of roll-out we believe there is now little risk of suppliers setting themselves low, easily-achievable targets, but this is mitigated further by allowing under-delivery by up to 10% in years one and two. We welcome the approach and think they could be wider still, or immune from enforcement action in year one. We believe that would encourage suppliers to set bold targets.
- 7.2. The consultation is silent over the approach proposed for the reporting of failed installations where the supplier believes 'all reasonable steps' have been taken. In some cases, for example customers who have subscribed to the 'Stop Smart Meters' website, there is little that suppliers can do to install smart metering. We expect the exceptions to be a tiny minority but it is conceivable that they will affect suppliers' overall performance. Even if that is not the case, we think most stakeholders will want to know how many jobs fall into this category and volumes should be monitored. We suggest that suppliers' progress reports should include a count or percentage of customers for whom all reasonable steps have been taken but for whom it has not yet been possible to install smart metering.
- 7.3. We think, for reporting, this could become increasingly significant in the latter years of roll-out when the tolerances are narrowed and the 'easy' jobs have all been done. We have evidence from exercises such as the replacement of superseded pre-payment meters that the 'tail' of inaccessible jobs could be quite long.

7.4. At British Gas we have some views on the definition of ‘All reasonable steps’ and the approach we will take with customers in this category and would like to discuss with Ofgem our thinking in this area. We are considering following a number of principles, though we have not yet developed the systems or tracking capabilities required to implement them:

- For each customer we would make at least three attempts to make contact.
- At least one of these will be by paper mail, and all contact channels held on our customer records will be tried at least once.
- If there were no response from the customer, or (where there had been contact) there had been two no access visits, we would count this as all reasonable steps having been taken.
- For sites counted as having had all reasonable steps, a ‘no response/no access letter’ would be sent (inviting further contact), restating the benefits of smart metering.
- Jobs would be removed from further work planning schedules, but (unless the customer refused) we would send reminders periodically (e.g. every 1-2 years)
- On all estimated bills we would invite customers to contact us to arrange for a smart meter installation

7.5. We believe that these principles set a high standard but we are unwilling to commit to the required development work without some confirmation that this approach aligns with Ofgem’s expectations.

Question 8. Do you agree with our proposal to require suppliers to publish their Annual Milestones on their website?

8.1. We do not object to the potential requirement to publish of our annual milestones (i.e. percentage of our customers with smart meters) on our website. We are uncertain who will be interested in this but given that the information is relatively high level see no commercial risk in it being visible outside British Gas and Ofgem.

Question 9. Do you agree with our proposal to require suppliers to publish updated Annual Milestones on their website alongside their original series of Annual Milestones?

- 9.1. Should we choose to update our previously submitted annual milestones we do not object to the potential requirement to publish the revised and original forecasts.

Question 10. Do you agree with our proposals relating to the re-submission of Roll-Out Plans?

- 10.1. We think it is unclear whether Ofgem would expect a known deviation from the plan to be covered in the narrative of the Progress Report, a resubmission of the Roll-out Plan, or both. For example, there is a 10% tolerance in the first two years of the plan which could mean that by January 2018, a supplier could have 20% more jobs to complete in the final three years than were anticipated when the plan was prepared in 2016. Would Ofgem expect or require the plan for 2018-2020 to be resubmitted, or for the supplier to deliver within 5% of the original targets for January 2019 and January 2020?
- 10.2. We think suppliers would welcome more explicit guidance from Ofgem on the purpose and benefit of resubmitted plans, and the circumstances in which Ofgem would expect them to be provided. Our preference would be to produce one plan in January 2016, to explain any deviations from it in the Progress Report, and to provide an updated forward view in January 2017 and January 2018 only if experience indicated that the original forecasts were no longer accurate.

Question 11. Do you have any other comments on issues relating to suppliers' Roll-Out Plans?

- 11.1. We have no other comments.

Supplier Progress Reports

Question 1. Do you agree with the proposed content of suppliers' Progress Reports?

- 1.1. Yes, we accept that the proposed content is appropriate and proportionate.
- 1.2. As described in our response to Question 7 under Roll-out Plans, we think that the progress reports should include customers without smart meters but for whom suppliers have taken all reasonable steps to provide them. We suggest that the numbers or percentage should be shown separately but also included within the total performance figure for smart metering installations.

Question 2. Question 2: Do you agree with the timing of submission for suppliers' Progress Report?

- 2.1. Yes, we had asked for the reporting to DECC and Ofgem to be synchronised so we are pleased to see that this approach is proposed.
- 2.2. We agree that the progress report should follow one year after the submission of the roll-out plan.

Question 3. Question 3: Do you agree with our proposal to have a voluntary submission of suppliers' Progress Reports in January 2016?

- 3.1. Yes, we support this principle for both the Roll-out Plan and the Progress Report.

Question 4. Question 4: Do you agree with our proposals in relation to publication of information from suppliers' Progress Reports?

- 4.1. We do not object to any requirement to publish information from our progress reports but neither are we convinced that this is necessary or beneficial.
- 4.2. Ofgem will need to consider the impact of publishing the number of customers who have actively or passively declined smart meters, if our recommendation for this to be included in progress reports is adopted.

Question 5. Question 5: Do you have any other comments on issues relating to suppliers' Progress Reports?

- 5.1. We are more reliant than any other supplier on the CSPs providing a technical solution that allows gas smart meters to be installed in advance of electricity meters. We have no reason to be pessimistic on this yet but it is a risk that is almost unique to British Gas. We shall be pressing hard for its delivery but it is unlikely to be high up the list of priorities for any other supplier.
- 5.2. It is a good example, if the risk were to materialise, of how suppliers' rollout plans may be jeopardised through external events that are out of their control. This consultation does not cover enforcement action, but it is important for Ofgem to apply a reasonableness test in assessing what is appropriate in the event of under-performance. It is conceivable that variances can be easily explained and recovered so a missed milestone should not be automatically regarded as licence breach requiring enforcement action. For example, a suspension of installations to address a safety or security concern should be welcomed as being in consumers' interests.
- 5.3. We have maintained that the Ofgem focus should be on the viability of the long term plan rather than the achievement of the last milestone. We would expect Ofgem to be relatively unconcerned about a discrepancy within the proposed tolerances, but seeking reassurance and recovery plans for a more substantial variance. The framework needs to reflect the need for differing levels of challenge and scrutiny, according to the circumstances (e.g. the remaining time available). As described earlier¹, neither should the assessment of progress be made against only one fuel.
- 5.4. We think that the wider tolerances in years one and two of the reporting are sensible and provide the right incentives for suppliers to set stretching targets. It is, however, important that Ofgem holds firm to the 2020 completion so that suppliers who have built the required capability are not disadvantaged through having invested earlier than is ultimately necessary. To that end, we think it would be helpful for all stakeholders if Ofgem were to be clear that its primary focus for enforcement action will be at the end of the programme, rather in when it is in flight. A statement from Ofgem on this could provide a very powerful incentive for suppliers to mobilise

¹Page 3, paragraph 2.2

sufficiently early to avoid enforcement action.

5.5. It is also important to avoid any detriment to the consumer experience though a rush for the deadline. Whilst it is important to track the numbers, DECC will be tracking qualitative and customer engagement metrics. Both are relevant.