



## ***Response to Ofgem; supplier reporting to Ofgem during the smart meter rollout.***

### ***General Comments***

We are pleased that Ofgem have confirmed they only require information essential to understand supplier plans and also with the proposals to align these reports with the DECC reporting framework. This should ensure a good level of consistency.

We are also pleased that the proposals recognise that all suppliers will be required to provide information at a suitable level.

The proposals to submit single rollout plans for gas and electricity is sensible. However, it would be helpful if Ofgem confirm the following assumption is correct i.e. the proposals for rollout plans would be applied separately to domestic and non domestic customers.

Our rollout approach to date is to lead with dual fuel installations (exchanging both gas and electricity meters at the same visit) as this limits the number of visits to a customer premise thus delivering a more efficient rollout and improved customer experience.

The requirements for separate milestones per fuel however could present challenges. Consideration should be given to instances where issues outside a suppliers control could impact installation of one fuel over another.

We wish to avoid a potential situation where suppliers may be encouraged to install single fuel smart meters just to ensure they remain on track with their planned rollout trajectories. This would have a negative impact to overall rollout costs for consumers.

Our experience to date of rolling out meters with a range of service providers has shown that plans can get disrupted for a varying number of reasons. Ofgem should not underestimate the complexity of this issue and we suggest that when reviewing supplier performance against supplier predicted milestones, Ofgem should be cognisant of the potential for a wide range of factors to impact plans. For example, technical challenges that could not be foreseen at the time the plans were drawn up, and wider issues such as customer acceptance and demand should also be taken into consideration.

We welcome consideration of relaxation of the tolerances for the first two years of rollout, but suggest that further reduction to 80% in the first two years followed by 90% for the remaining years to 2020 maybe more appropriate.

An alternative could be the introduction of a requirement for suppliers to present a rolling plan view of their rollout progress each year. For example, a supplier would submit plans (up to 2020) where the first year of rollout is firm with future year submissions updated with the next twelve month milestones based on prior year progress. This would include accompanying narrative explaining successes and challenges from the previous twelve months.

A rolling plan view would provide a credible view of completion of rollout by 2020. Milestones would be set each year for that 12 month period but with the long term view to complete by 2020 always in mind to provide wider context.



## **Responses to specific questions**

### **Chapter Two**

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

The content of the report is sensible and we are encouraged that Ofgem only require information essential to understand supplier plans. This should ensure the reporting burden does not become excessive.

The provision of a template for such reports might be useful as would set expectations on the level of detail and likely ensure a standard approach by suppliers that may aid with review. We welcome the proposal to align the reporting periods with the DECC annual reports which should ensure a good level of consistency.

#### ***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)?***

The proposal to submit a single plan for gas and electricity installs is sensible. However, it would be helpful if Ofgem confirm the following assumption i.e. the proposals for rollout plans would be applied separately to domestic and non domestic customers. Therefore a supplier will provide a consolidated rollout plan for gas and electricity domestic installations and a consolidated rollout plan for gas and electricity non domestic installs.

Our rollout approach to date is to lead with installations on a dual fuel basis (exchanging both gas and electricity meters at the same visit) as this limits the number of visits to a customer premise thus delivering a more efficient rollout and improved customer experience.

The requirements for annual rollout plans and separate milestones however could present challenges. Consideration should be given to instances where issues outside a suppliers control could impact installation of one fuel. For example, if there is an issue with the communications hub provided by the DCC, that stops the installation of the gas meter this in turn could impact delivery in line with expected electricity installations.

We wish to avoid a potential situation where suppliers may be encouraged to install single fuel smart meters just to ensure they remain on track with their planned rollout trajectories for that fuel. This would have a negative impact to overall rollout costs for consumers.

When reviewing performance against supplier predicted milestones, Ofgem should be cognisant of the potential for a wide range of factors to impact rollout plans. For example technical challenges that could not be foreseen at the time the plans were drawn up, and wider issues such as customer acceptance and demand should also be taken into consideration.

There could be an unintended consequence of the proposed framework that results in suppliers simply submitting easy to achieve plans on an annual basis to avoid any potential onerous penalties. Accurate and credible information is required to build confidence in the overall programme (out to 2020) and for wider industry parties planning purposes e.g. DCC.



An alternative could be the introduction of a requirement for suppliers to present a rolling plan view of their rollout progress each year. For example, a supplier would submit plans (up to 2020) where the first year of rollout is firm with future year submissions updated with the next twelve month milestones based on prior year progress. This would include accompanying narrative explaining successes and challenges from the previous twelve months.

A rolling plan view would provide a credible view of completion of rollout by 2020. Milestones would be set each year for that 12 month period but with the long term view to complete by 2020 always in mind to provide wider context.

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

We are pleased with the proposals that all suppliers will be required to provide information at a suitable level so that the Authority can gain appropriate oversight and comfort.

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

No

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

Yes. However, careful consideration should be given for a mechanism to review this should DCC dates change as DCC design build and test phase progresses.

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

We support a voluntary submission and "trial run". This approach is sensible and industry has experience of this with the annual supplier reports for DECC, whereby a voluntary submission was provided in 2012.

Submitting plans early on a voluntary basis complements our view of using the Foundation period to test and learn across a broad range of issues. Clearly submitting under a voluntary scheme would be on the understanding that we are operating in a much less certain environment pre DCC and therefore plans maybe subject to a wider degree of change than otherwise we would expect in an enduring post DCC world.

***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.***

Our approach to date of rolling out meters with a range of service providers has shown that plans can get disrupted for a varying number of reasons. Ofgem should not underestimate the complexity



of this issue and we suggest that when reviewing performance against supplier predicted milestones, Ofgem should be cognisant of the potential for a wide range of factors to impact plans. For example technical challenges that could not be foreseen at the time the plans were drawn up, and wider issues such as customer acceptance and demand should also be taken into consideration.

We welcome consideration of a relaxation of the tolerances. This is a pragmatic approach. Installing volumes of new (SMETS2) meters with new integrated service providers via the DCC will likely take time to bed in. It is therefore likely that challenges and issues will arise as the services start to get used in a live environment and at increasing volumes. It's right that this uncertainty is reflected in the regulatory environment.

Given our experiences to date we suggest that further reduction to 80% in the first two years followed by 90% for the remaining years to 2020 maybe more appropriate.

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

This would likely complement activities suppliers are already undertaking to raise awareness and provide assurance to customers concerning rollout plans so we question the need to obligate suppliers to do this. An obligation would therefore need to be at an acceptable level that provides information to customers that is useful but sufficiently protects individual supplier's commercial plans. Publishing % of installations per annum on a rolling basis would be our preference.

***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?***

As with published plans this would need to be at a suitable level to provide information to customers that is useful but sufficiently protects individual supplier's commercial plans and we question the need to obligate suppliers to do this. It is likely suppliers will publish plans to raise awareness.

***Question 10: Do you agree with our proposals in relation to the re-submission of Roll-Out Plans?***

Whilst we are pleased that there is an opportunity to resubmit plans, we believe this could be better delivered through a rolling plan view, with quantitative and qualitative narrative explaining changes as detailed in our answer to Q.2.

***Question 11: Do you have any other comments on issues relating to suppliers' Roll-Out***

If the proposals remain as described we believe some guidelines in the area of potential enforcement action would be helpful for suppliers as they try to understand and manage their risks. This may avoid a potential unintended consequence of suppliers simply submitting easy to achieve plans on an annual basis to avoid potentially onerous penalties.



When considering any potential enforcement action resulting from these new requirements we would propose that any sanction or penalties applied should also be cognisant of the proportionality to the overall impact on the suppliers rollout plans and wider smart programme.

Accurate and credible information is required to build confidence in the overall programme (out to 2020) and for wider industry parties planning purposes e.g. DCC.

### **Chapter Three**

#### ***Question 1: Do you agree with the proposed content of suppliers' Progress Reports?***

The content of annual progress reports seems sensible. However, we believe this could be better delivered through a rolling plan view, with quantitative and qualitative narrative explaining changes.

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

Whilst we agree in principle with the requirement to submit annual progress reports, we consider the submission of year on year rolling plans with quantitative data and narrative explaining any differences to be a more pragmatic means of monitoring progress.

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

We would support a voluntary submission and "trial run". This approach is sensible and industry has experience of this with the annual supplier reports for DECC, whereby a voluntary submission was provided in 2012. Our preference however would be for the progress report to form part of a rolling view, as detailed in answers to earlier questions.

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

As with the publication of milestones we do not see a need to obligate suppliers to provide this. In addition our preference would be a rolling plan, with narrative that provides sufficient detail to customers to build confidence and provide assurance over a supplier's activity but at the same time protecting individual supplier commercial interests.

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

No.