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8th October 2013

Dear Dora,

Re: Consultation on Supplier reporting to Ofgem during the smart meter rollout

National Grid Gas plc welcomes the opportunity to respond to this consultation. This response is made on behalf of National Grid Gas Distribution (NGGD). Please find below our general observations as well as answers to the individual consultation questions.

NGGD considers that suppliers should be compelled to produce rollout plans much sooner than the current proposed timeline of January 2016, preferably as soon as possible. These plans should be made available to gas and electricity networks in order for us to schedule resources, workloads and finance requirements as efficiently and economically as possible. This will also enable suppliers and networks to co-ordinate activity to minimise inconvenience to customers thus enhancing consumer perception and support of the roll-out programme.

The data will also help us to comply with our licence condition, Special Condition 1F, Revenue adjustments for performance in respect of gas Shrinkage and environmental emissions, which obliges us to report to the Authority on the collection and use of Smart Metering data for the purposes of assessing whether such data could be used as an alternative to The Shrinkage and Leakage Model. This Licence condition was recently put in place by Ofgem as part of the RIIO GD1 Price Control settlement, effective from 1st April 2013.

In parallel with the Ofgem proposals, on 11th September 2013, the SPAA Expert Group discussed a proposal raised by Northern Gas Networks 'Provision of Smart Meter Rollout profiles to Transporters', which would obligate suppliers to provide a standardised regular report to each Transporter of their smart meter rollout plans on a quarterly basis, starting from February 2014. NGGD supports this proposal, although recognises that at this stage it is in its infancy and if implemented, will relate only to the gas sector.

Whilst we broadly agree with the proposed structure and content of the draft rollout plans, we would like to see comprehensive plans created for both gas and electricity, by milestones and geographic region including postcode, rather than one generic plan covering both gas and electricity. Plans should be submitted by all suppliers, both large and small, be flexible and take account of tolerance levels for delivery and include narrative sections to explain progress. We support the idea of publishing plans at a summary level on Ofgem's and DECC's websites and also welcome Supplier's publishing plans on their respective websites

too. We understand the plans should balance appropriate detail and content against data that is commercially sensitive.

In terms of the next steps, we note that based on feedback from this consultation, Ofgem will publish a policy decision in the first half of 2014. It would be helpful if this decision was published much sooner, in the autumn of 2013 so that we can develop our own Smart Metering Programme plan, taking into consideration the views of Ofgem in how the programme will be monitored.

Please find below answers to the individual consultation questions.

Should you wish to discuss any matter within this letter, please contact Ruth Thomas on 07768 173469, or at ruth.thomas2@nationalgrid.com.

Yours sincerely,

Paul Rogers
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Chapter Two

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

The structure and content of the proposed Roll-Out Plans contain the three sections of strategic approach, annual milestones and narrative. Whilst this content is suitable for our purposes, in terms of the narrative, a word limit of 650 words may be too restrictive for a Supplier to fully articulate and explain each milestone, task and activity. We suggest that the report should not have a word limit, but if one was to be imposed perhaps 3000 words would be more appropriate.

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)?

We note within paragraph 2.8, the proposal is for suppliers to submit a single roll-out plan, covering both gas and electricity customers (albeit milestones for each will be separate). As a gas Transporter, we would like to see this requirement change so that a comprehensive rollout plan is submitted separately for both gas and electricity, as we will rely on supplier's plans to forecast our workload, so we need them broken down by both gas and electricity, segmented by postcode for each geographic region.

By structuring the reports in this way, it will enable suppliers and networks to co-ordinate activity and develop a fit for purpose programme plan, containing all of the sections necessary, for example, communications and data service infrastructure, strategic vendors, customer engagement, financing, resources and workloads, training and rollout. By working collaboratively, inconvenience to customers will be minimised and therefore customer engagement and support for the programme will be greatly increased.

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

The proposal in paragraph 2.12 is to require only large suppliers to submit rollout plans, and to align the definitions of 'large' and 'small' suppliers with those used by DECC in relation to their Annual Supplier report. Whilst we welcome the alignment of definitions, we would prefer to receive a rollout plan from all suppliers, not just the large ones. This would provide us with a holistic picture of the entire rollout plan for all suppliers and mean that no supplier or data is omitted from the process.

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

We agree with the proposed definition of small suppliers as defined: *'[a] licensee that supplies, together with its affiliates, [gas/electricity] to fewer than 250,000 Domestic customers, or supplies [gas electricity] only to Non Domestic Customers'*.

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

No. We would like to see rollout plans as soon as possible, certainly much earlier than January 2016, so as to inform us on the potential availability and applicability of such Smart Metering data to validate the estimation of gas Shrinkage and environmental emissions, in order that we are compliant with Special Condition 1F Revenue adjustments for performance in respect of gas Shrinkage and environmental emissions. We will also be relying on these plans to develop our own programme plan to utilise such data, in order to schedule resources, workloads and finance requirements accordingly. Under our Gas Transporter Licence, we have a requirement to consult and report on the potential use of Smart Metering

data for such validation, biennially from 2014 and so having the first roll-out plan in 2016 will limit the scope for earlier assessment.

Therefore, NNGD would like to request that the first rollout plans be submitted to us by December 2013 in order that we can assess it for these purposes. We note that on 11th September 2013, the SPAA Expert Group discussed a proposal raised by Northern Gas Networks 'Provision of Smart Meter Rollout profiles to Transporters', which if approved, would obligate suppliers to provide a standardised regular report to each Transporter of their smart meter rollout plans on a quarterly basis, starting from February 2014. The report would provide information on those smart meters forecast to be installed and actually installed over three months, on a geographic postcode basis. The report will be in the same format as the DECC requirements. NNGD supports this Proposal, although recognises that at this stage it is in its infancy and if implemented, will relate only to the gas sector.

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

NNGD would prefer both gas and electricity Suppliers to submit their rollout plans on a mandatory basis, as soon as possible. The Licence Conditions currently contained within both the gas and electricity suppliers licences (licence condition 38 for gas suppliers (Roll Out Reporting, Setting and achieving Annual Milestones, and Provision of Information to the Authority) and licence condition 44 for electricity suppliers (Roll Out Reporting, Setting and Achieving Annual Milestones, and Provision of Information to the Authority) permits Ofgem to determine the date on which a supplier submits their rollout plans, so we consider that Ofgem should use this mechanism to compel suppliers to provide their rollout plans on a mandatory basis as soon as possible.

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.

NNGD agree with the rationale and policy assumptions that Ofgem have used to propose that tolerance levels are altered by year, because this will allow for flexibility and incentivise suppliers to set more challenging milestones. The assumption that there are greater uncertainties in the earlier phases of mass rollout is also correct, as the industry 'finds its way' through the process and determines the role of the DCC and how other industry stakeholders will engage with the programme.

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

We agree that Suppliers should publish Annual milestones on their corporate websites within a month of the rollout plan being submitted to Ofgem. We would also like to see Suppliers publish their full plans on their websites (subject to redactions for confidential information).

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?

Yes, we agree that suppliers should publish updated Annual Milestones on their websites alongside their original series of Annual Milestones.

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

The proposals in relation to the re submission of rollout plans seem sensible and we agree with Ofgem's assumptions that re-submissions should only be required in exceptional, unforeseen circumstances and that the supplier should provide a narrative to explain the adjustments.

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

We note that suppliers are only obliged to submit rollout plans once the 'key enablers' for the rollout are in place. Whilst we note that there will be alignment to DECC's Annual Supplier Report in this respect, we would like clarity on the definition of what these 'key enablers' are and what they mean in practice.

We suggest that the rollout plans should include milestones for each task or activity, segmented by month, with associated monthly milestones. It would also be helpful if the plans were structured by postcode or geographic region so that we can determine each Supplier's preferred approach to rollout.

Chapter Three

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

Yes, we agree that the Progress Reports should contain both a quantitative data section showing performance against actuals and a narrative section explaining progress made.

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

Reporting in January of each year seems a reasonable approach, but this could be changed to April each year, to align with the financial year rather than the calendar year.

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

NGGD consider that the provision of progress reports should be mandatory and that this should be done as soon as possible.

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

NGGD agree that suppliers should publish within their plans, actual performance against Annual milestones, alongside their proposed rollout trajectory and a narrative to explain performance. This will allow consumers and other industry stakeholders to see how suppliers are progressing against their Annual Milestones.

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

The publication of the Annual Milestones and Progress Reports should also be published as a consolidated summary on either or both Ofgem's and DECC's websites with a report produced for the benefit of end consumers to explain how the rollout programme is progressing.