

Dora Ianora
Smarter Metering Team
Ofgem
9 Millbank
London
SW1P 3GE

8 October 2013

Dear Dora,

SUPPLIER REPORTING TO OFGEM DURING THE SMART METER ROLL-OUT

Thank you for the opportunity to respond to Ofgem's consultation on supplier reporting during smart meter roll-out. Our answers to the consultation questions are set out in the Annex to this letter. Our main points are as follows:

- **Tolerances:** We welcome Ofgem's pragmatic approach to reporting, notably the alignment with existing DECC requirements and timelines. The 10% tolerances for early rollout years seem to us to be appropriate. However, in light of Ofgem's decision to reject DCUSA Change Proposal DCP153, we are concerned that possible resource shortfalls in DNOs could significantly impact supplier performance against rollout milestones. Absent any relevant service level agreements, we think tolerances on the Annual Milestones at the end of 2016 and 2017 may need to be increased to, say, 15% to allow for this.
- **Enforcement of Annual Milestones:** We note the reference in the consultation to "binding" Annual Milestones. Ofgem has previously indicated that it will take a pragmatic approach with regards to the enforcement of suppliers' milestones and we agree this is sensible. Given the issues we have highlighted around suppliers' portfolios, we would appreciate confirmation that Ofgem will be sympathetic to performance shortfalls due to factors outside suppliers' direct control such as customer churn or changes in market share.
- **Small suppliers:** We are neutral about whether small suppliers need annual milestones, but if such milestones are not set, Ofgem will still need to assure itself in some other way that such suppliers are making sufficient progress with the roll-out.

I hope you find these comments helpful. Should you wish to discuss them please do not hesitate to contact me or David Ross Scott (davidross.scott@scottishpower.com).

Yours sincerely,



Rupert Steele
Director of Regulation

SUPPLIER REPORTING TO OFGEM DURING THE SMART METER ROLL-OUT
SCOTTISHPOWER RESPONSE

Chapter 2: Supplier Rollout Plans

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

Yes, we broadly accept the proposed content of the Roll-Out Plans set out in the consultation document, whereby each plan would consist of three distinct sections covering strategic approach, annual milestones and narrative.

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)?

Yes we agree with the proposal that suppliers should submit a single combined rollout plan, but with separate milestones for gas and electricity. The gas milestone would be the percentage of domestic and smaller non-domestic premises which would have a smart or relevant advanced gas meter installed by the end of each calendar year, and likewise for electricity. This will ensure that progress is tracked on a per-meter basis. Tracking progress by reference to the entire premises would be problematic given that some premises may have different suppliers for gas and electricity.

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

We are neutral about whether small suppliers need annual milestones, but if such milestones are not set, Ofgem will still need to assure itself in some other way that such suppliers are making sufficient progress with the roll-out.

Ofgem suggests that it will be sufficient to collect regular monitoring information from small suppliers, since smaller suppliers could install smart meters for their entire customer base in a shorter period of time. However, we think it would be unwise to assume that a smaller supplier could deliver its entire roll-out obligation at the end of the programme, as it may not have the resources or the necessary experience to achieve a sudden deployment. Accordingly, some sort of progress monitoring will be needed.

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

We have no comments on Ofgem's proposed definition of 'small supplier'.

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

Yes, we believe it is sensible for the submission of the first plan to coincide with the start of mass rollout.

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

Yes, we support this approach as it will allow parties to test and learn in advance of the mandatory submission.

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.

Yes, we broadly welcome this as a pragmatic approach.

Early rollout predictions will be based largely on our operational experience of similar installation projects, such as key meters. We have carried out extensive pre-installation research that, because of the singular arrangements for smart meters, suggests the initial rollout will be subject to significant “teething troubles” early on in the programme. There are also widely known examples of communications technology coverage proving less extensive than expected, which might also impact rollout timetables. While any slippage caused by teething troubles will need to be made good in the long run, it will be necessary to provide some flexibility for them in the short run.

In light of Ofgem’s decision to reject DCUSA Change Proposal DCP153, we are concerned that DNOs might not be suitably resourced to meet the incidence of network issues that suppliers encounter during mass rollout. While the nature and frequency of network issues will remain an unknown quantity for the time being, we are concerned that it could significantly impact supplier performance against rollout milestones. Lessons learned in the first two years will certainly offer an indicator of likely impacts, but we believe that, absent any relevant service level agreements, tolerances on the Annual Milestones at the end of 2016 and 2017 may need to be increased further to, say, 15%.

Notwithstanding the proposed tolerances, we would also welcome confirmation from Ofgem that in considering a supplier’s progress against Annual Milestones, it will take due account of factors outside the supplier’s direct control. For example, if a supplier has established a more aggressive rollout plan than other suppliers, it could be thrown off course if there is a higher than expected rate of customer churn, or if it increases its market share by more than expected. Even if its rollout profile is similar to other suppliers, it could still be impacted if for some reason customers churning away have a higher proportion of smart meter installations than those churning in.

We would suggest that in considering any failure to achieve an Annual Milestone, Ofgem should also consider the absolute number of installations carried out by that supplier in the year. If the percentage milestone has been missed, but the absolute number of installations is consistent with the supplier’s original rollout plan, we do not think it would be appropriate for Ofgem to take enforcement action.

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

DECC’s plans are to publish aggregated information for the industry as a whole via the CDB. If Ofgem chose to follow that approach, it would be consistent with the approach to the CERT

and CESP energy efficiency programmes where progress was published on an aggregate basis rather than broken down to individual suppliers.

While publication of aggregate data should be sufficient, we have no objection to companies being required to publish annual milestones on their websites if Ofgem believes it to be necessary.

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?

Please refer to our response to Question 8 above.

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

Yes.

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

As noted in response to Question 7, we would appreciate confirmation from Ofgem that it be sympathetic to any performance shortfalls against milestones due to exogenous factors such as customer churn or changes in market share.

Chapter 3: Supplier Progress Reports

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

Yes, this seems a reasonable approach and is similar to DECC's Annual Supplier Report.

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

Yes, but we believe all suppliers should submit progress reports to facilitate a full view of the overall UK Smart Meter Implementation Programme.

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

Yes, we think that a voluntary cycle would help gain learnings. If it were possible to achieve small supplier involvement in this exercise, that could make it more meaningful. We hope that Ofgem would encourage this.

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

See our response to Question 8 of Chapter 2.

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

No.

ScottishPower
8 October 2013