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Jonathan Amos  
Ofgem  
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Dear Mr Amos

G4S Utility and Outsourcing Services (UK) Limited ("G4S") have reviewed the consultation document on Balancing and Settlement Code Modification Proposal 272 ("P272") and are pleased to have the opportunity to feed into the impact assessment having tracked the Modification Proposal in recent years.

In summary, we do not support the implementation of P272 unless there is more universal agreement that there is a positive cost benefit and belief that it is in the interest of the consumer particularly given that the current minded-to position is completely at odds with the original rejection by The Panel following extensive industry engagement.

Below we have covered a number of general points and, where possible, aligned these to the questions from the consultation document. Given our role as a Metering Services agent we are unable to comment directly on areas relating to electricity suppliers but we can draw on our experience in providing services to both NHH and HH portfolios and management of critical services on high consuming gas sites (equivalent of HH consumption) to assist Gas Distribution Networks in attainment of UNC obligations.

**Question 2:** Are there any additional, material impacts that we should consider?

There are a number of areas which we would expect to be considered such as:

1. The diseconomy of scale for NHHDC/DA services for the residual NHH settled portfolio that would result from changing the PC5-8 portfolio to settling under HH rules and processes
2. The impact of disaggregating Data Collection and Aggregation from a bundled service including remote Data Retrieval, Meter Operations and Maintenance. This will negatively impact costs for other services for many PC5-8 sites with a HH capable meter installed in the form of increased service provider management costs for suppliers which will ultimately be passed to consumers

**Question 8:** Do you agree that we have correctly identified the cost savings that suppliers could realise in managing the settlement process?



In addition to the diseconomy in the NHH sector, referenced above, we do not believe that the assumption that HHDC/DA charges will reduce through increased scale in the market is correct. The assumption is based on the premise that competition will increase and yet the risk and cost associated with changing agent (from a supplier perspective) in this market is a natural barrier to entry. Furthermore, a reduced price / cost for service expectation would serve to further disincentivise potential new entrants.

**Question 10:** Do you agree that meters of consumers in Profile Classes 5-8 are mostly read at the end of each month?

This has historically been the case due to the traditional billing windows for these customers. This may not remain the case and, with a shift to HH settlement there will need to be greater frequency of reads to ensure adherence to settlement targets at R1. This will further increase costs associated with communications.

In this context we would also highlight that the 99% target needs to be considered alongside the reality of sites where a HH capable meter will be installed.

**Question 16:** If P272 is approved, would it be possible to implement the modification in less than fourteen months?

In our experience of putting commercial agreements together and successfully transferring communication contracts for installed devices we do not believe that the modification could be implemented in less than fourteen months.

### **General Comments**

#### **Non-Communicating Sites**

In our experience of managing deployment of Smart/AMR meters for PC5-8 sites there will be an amount of sites which will not be serviceable using current SMS or GPRS solutions. Under a mandated HH settlement profile these sites would incur significant costs either through deployment of fixed line communications or physical downloads of HH data from site as a result of a visit. We conduct this service for many HH sites today at a cost of c.£20 per visit using a national workforce with low travel times (therefore this cost will not reduce through addition of more sites requiring the service as majority of time is spent on site conducting the data download activity). Note – it is our understanding that costs for these additional services (either use of PSTN line or manual downloads) are normally passed to the consumer. While these are technically data retrieval costs they are inextricably linked to Data Collection and Aggregation services as the key inputs.

We would estimate that c.2.7% of sites are unlikely to have half hourly capable AMR device installed without incurring material additional costs to be borne by the consumer.

Finally, we note with interest the percentage of electricity consumption from the Profile Class 5-8 portfolio in the UK (5%) and question how, given the opt-in required from consumers in the Profile Class 1-4 portfolio for suppliers to access (and therefore enter for settlement) interval data as a feature of the domestic Smart rollout, half hourly settlement could be



mandated for this larger portfolio. Without a wider rollout a programme the benefits case for this smaller portfolio needs to be clear including a full assessment of costs and risk of diversion from wider industry programmes currently in train. We look forward to reviewing output from the Smarter Markets programme in 2014 to better understand how P272 achieves wider goals.

Yours Sincerely

Jeff Studholme  
Business Development Director  
G4S Utility and Outsourcing Services