



Making a positive difference
for energy consumers

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Ofgem response to DECC's consultation on non-domestic smart metering: the DCC opt-out and the advanced metering exception

Thank you for the opportunity to respond to this consultation. Ofgem regulates the gas and electricity markets in Great Britain. We have an important role in ensuring that the interests of consumers remain protected, both during the transition to smart metering and in the enduring framework. We also play a key role in monitoring and, where appropriate, enforcing compliance with any new regulatory obligations relating to smart meters.

We set out below our response to some of the key issues in DECC's publication.

Part A: Non-domestic DCC Opt-out policy.

The roll-out of smart meters to smaller non-domestic consumers has the potential to enable development of more innovative service for these customers. The data available from smart meters will enable suppliers to develop innovative tariffs and enable third party intermediaries to provide bespoke services to their clients.

The centralised model for data and communications aims to promote efficiency and support technical and commercial interoperability. These principles aim to ensure there are no barriers to a consumer switching supplier in the smart meter world and guarantee that a minimum set of services will be available to the consumer irrespective of which supplier provides their energy. It is important that the policy on the DCC opt-out for non-domestic customers ensures that these policy objectives can be met.

We support effective competition where this can benefit consumers by driving down costs and improving service quality. However, in finalising the end-to-end smart metering system design a number of technical issues emerged that would make it difficult to operate the SMETS 2 smart meter outside of the DCC which could compromise these aims. Notably, we understand that a communications hub with specifications equivalent to that of the DCC's communications hub would be required for the meter to operate effectively.

Further, we consider that there are risks to the consumer experience and benefits case if the non-domestic opt-out policy is maintained. For example:

- If, as expected, most suppliers with a domestic and non domestic portfolio will use the DCC, then the number of smart meters available to an alternative service provider will be limited and customers may face a cost to serve that is higher than that of the DCC.

- To maintain the operational integrity of the meter and the security of consumer data when the customer switches supplier there are likely to be a number of interactions that will require site visits by the outgoing and incoming suppliers. In our view this would not result in a positive consumer experience for non-domestic customers.
- There could be impacts on the future delivery of smart grids and demand side response services if there is a significant volume of opted out meters.
- Network operators will have to collect data through a number of routes to determine the quality and efficiency of their networks. This is likely to increase the cost of obtaining the relevant information, which may diminish these net benefits available to consumers.
- Finally, there may be unintended consequences on the stability of charges for users of the DCC if the volumes of non-domestic meters enrolled can vary regularly. The existing charging regime for non-domestic premises will need to be reviewed. We note and welcome the Government's commitment to consult on aligning the DCC's charging regime for domestic and non-domestic premises.

In view of these risks and developments since the opt-out policy was formulated, we welcome the Government's timely review.

Part B: Advance metering exception

We agree that there is insufficient justification to extend the end-date for the advance metering exception beyond 5 April 2016. Any protracted arrangement that allows the continued installation of advanced meters post DCC go-live would diminish the benefits that could be accrued by the installation of smart meters.

We look forward to the Government's conclusion on this matter.

Regards,



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Head of Smart Metering