



Making a positive difference
for energy consumers

Department of Energy and
Climate Change

Smart Metering Implementation
Programme

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Ofgem's response to the Department of Energy and Climate Change's (DECC's) December 2015 consultation on Alternative Home Area Network (Alt HAN) Solutions

We welcome the opportunity to respond to your consultation on your proposed modifications to implement arrangements to facilitate suppliers deploying HAN in premises where additional equipment will be required.

Ofgem regulates the gas and electricity markets in Great Britain. Our principal objective is to protect the interests of existing and future gas and electricity consumers. Ofgem's regulatory role includes monitoring and where appropriate enforcing energy suppliers' compliance with the licence conditions and the Smart Energy Code (SEC).

We support the approach that DECC is proposing. The provision of a reliable and effective Home Area Network (HAN) is an essential ingredient in ensuring the success of the smart meter roll out.

The operation of smart metering equipment in premises where the standard 2.4GHz (and planned 868MHz) ZigBee radio connections will not be able to make the necessary connections has proved to be a difficult problem for the Smart Metering Implementation Programme to solve. DECC has worked hard to develop the regulatory framework that will enable suppliers to work together to arrange for the installation of equipment that will permit a smart metering system to operate where key components are isolated by distance or by the fabric of the building. This will allow those consumers to have the opportunity to access the full benefits of smart metering.

We would note the potential for market foreclosure from collective action by suppliers. When working together on Alternative HAN, suppliers should ensure that they act in such a way as to protect competition on related markets, having regard to the European Commission's "Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements"¹, particularly the parts of that guidance that relate to standardisation agreement, and any relevant guidance of the CMA.

Specific comments on DECC's proposals

¹ http://ec.europa.eu/competition/consultations/2010_horizontals/guidelines_en.pdf

Non-domestic suppliers

We consider that obligations on non-domestic suppliers should be proportionate to their likely use of the Alt HAN arrangements. We think that it is likely that those suppliers that only supply non-domestic customers may have a limited appetite to take services from the proposed Alt HAN Co. Responses to the consultation will need to be considered carefully. As the requirements to provide an IHD (a key driver for Alt HAN solutions) do not apply for non-domestic smart meter installations, it may be that non-domestic suppliers will find innovative ways of meeting their obligations for the installation of smart metering systems. We look forward to the results of the consultation on this point.

Supply licence condition 49

We consider that it would aid clarity to standard licence condition 49.4 (c)(i) if it was noted that where a premise has been included on the approved Exempt Premises List (as indicated in the proposed standard licence condition 55.13) then the obligation would not apply.

Proposed Supply Licence Condition 55

We would support some reworking of the prohibition in 55.12 that suppliers may not acquire the Alt Han Service Capacity of the type referred to in 55.4(d) until the Exempt Premises List has been approved by the Secretary of State. We anticipate that suppliers will need to procure some of the capability described in 55.4(d) to be able to prepare a draft of the Exempt Premises List and to gather the necessary evidence to be able to explain service levels and costs associated with different types of installation. It would be prudent to permit suppliers to commission some pilot projects on a trial basis to develop the knowledge base that will inform decisions as to which premises should be exempt.

We note that the requirements in 55.3 for licensees to take all reasonable steps to ensure that the acquisition of Alt HAN Service Capacity and the provision of the Alt HAN services are both economic and efficient. This would not require an assessment of the performance of service providers in this regard but would require licensees to ensure that, for example, procurement of these services is fully market tested.

If you would like to comment on this response, please contact Nigel Nash (nigel.nash@ofgem.gov.uk).

Yours sincerely,

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