

**Wednesday, 04 May 2016**

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By email only

Dear Robyn,

**Reference: DCC Operational Performance Regime: Principles and Objectives**

Utilita Energy Ltd (Utilita) is GB's leading provider of smart pre-pay gas and electricity, supplying lower income and energy conscious households with an affordable and accessible smart prepayment service since 2008. We supply around 320,000 households, of whom around 285,000 have smart meters installed.

Our customers can easily monitor, manage and budget for their energy usage via the installation of free, market-leading smart metering equipment including an easy to use IHD, online, mobile & traditional top-ups. As a population, our customers are engaged with smart metering and the usefulness of the data and associated services to help them minimise their costs.

We are keen that prepayment customers continue to reap the benefits that smart metering can offer, particularly following the roll out of SMETS2 meters via the DCC's communication platform. With this in mind, we welcome the opportunity to be able to respond to this consultation regarding the incentives that may be achievable for the DCC (via the Operational Performance Regime) in their delivery of the new service.

Utilita's portfolio is 99% PPM customers of whom around 80% use SMETS1 meters. Our meters have full 10 digit keypads on them and all customers are provided with an IHD. The keypad facilitates the use of Unique Transaction Reference Numbers (UTRNs) of varying lengths.

This approach is crucial for PPM customers, a 20 digit UTRN can be used to manually enter a top-up code. 40 digits would provide a configuration change and 60 digits a configuration change and top up. Configuration changes would include price changes, updates to friendly credit and the like (longer UTRNs exist but are not commonly used). The key here is that if a SMETS1 customer is in a no

WAN situation, 40 and 60 digit codes can be used to service many of the customers' requirements without a visit, for example, a price reduction, update to friendly credit or top up vend.

These options provide a valuable safeguard to PPM customers under SMETS1, but regrettably, most will not be available under SMETS2. Utilita's understanding is that DCC plans only to make Top-up available by UTRN in SMETS2 rather than the wider functionality, though we continue to press for better PPM support in all aspects of the service.

The progress of the roll out of smart meters to customers so far has been utterly dependent on companies such as Utilita who have successfully installed and operated SMETS1 meters to the benefit of millions of customers.

In the context of the DCC delays, the lack of available SMETS2 meters (even for testing), and the DCC failure to deliver timely adoption and enrolment, we believe that Ofgem should be helping facilitate the continuing economic use of these assets, which were installed by suppliers in support of the government programme.

We estimate that even assuming SMETS 2 meters become available very soon and manufacturers can support demand, the installation rate – in terms of meters per day to be installed to meet the 2020 target - will be very high, and will climb further if there are supply chain issues, such as with comms hubs, and the timescale is further compressed. Failure to facilitate re-use of good quality SMETS1 meters with plenty of remaining useful life (following removal and reconditioning) will add to supply chain issues, whereas supporting the continuing use of those assets already installed can only help the smart rollout programme.

Consequently, it is vital that the Enrolment and Adoption of these meters by DCC is undertaken as a priority, thus maintaining service to these customers and prolonging the life of the assets. For this reason, we consider that Ofgem's proposal to exclude the Enrolment and Adoption of SMETS1 meters from the OPR is fundamentally flawed.

It was recently estimated by DCC that at the point of Enrolment and Adoption (Q3 2017), there will be circa 10 million SMETS1 meters installed throughout the UK. We therefore seek assurance from Ofgem that the appropriate incentives and penalties will be placed on the DCC to ensure the prompt delivery of the SMETS1 Enrolment and Adoption project.

We note Ofgem's remarks in the document concerning special projects, and the scale of the margin at risk under the OPR. We believe that the potential cost to the industry – both in terms of supply chain issues and inconvenience to consumers – is so high that this issue may merit a separate penalty/incentive. We suggest that Ofgem should impose on the DCC a formally specified incentive including outputs, upside and downside to ensure DCC delivers adoption and enrolment in advance of the SMETS1 end date.

The backup approach would be to include adoption and enrolment within the OPR, in which case it needs to be subject to measurable incentives and penalties.

Ofgem mentions within the "Our Approach" section that the limited scope of the OPR forces the importance of the DCC being transparent in order to provide industry with confidence in its performance. How is this so?

The consultation outlines that the amount of money which is at risk due to the OPR is circa £2-3m for each regulatory year. This is a mere fraction of the overall DCC revenue, and consequently is unlikely to be sufficiently punitive to encourage the DCC to provide the best service possible, at all times. Rather than offering additional incentives, penalties for the non-achievement of targets may be needed to deliver the service that is required by industry and consumers.

Section 2.7 of the consultation makes reference to the DCC being “Responsive to User Needs”. The term “User” is broad – it does not solely cover those parties who are DCC users with a direct gateway connection to the DCC’s services. The end consumer could also be deemed as a DCC user, as they are receiving the energy supply through the communications platform offered via the DCC’s SM WAN provider. It is critical that there is explicit focus on both credit and prepayment customers’ needs, in order to ensure consistently high levels of service. Offering a flawed service to a prepayment customer risks the customer going off supply. Separately, we would like to understand how this relationship will be affected by the use of a third party adaptor service? Access to the DCC’s platform and service is costly, resulting in many (often smaller) suppliers using an adaptor service to be able to roll out SMETS2 devices. It will be essential to implement appropriate measures to ensure that all suppliers are treated fairly and equally, regardless of supplier size and whether there is an adaptor service in place. The OPR should address this point so that there is no potential for discrimination by the DCC between those users who have a direct relationship with the DCC, and those who are using an adaptor service. This would also align with the detail in section 2.13 wherein Ofgem stipulates the requirement for clearly defined incentives that will enable both the DCC and its Users to have greater certainty in the desired behaviours expected from the DCC.

Sections 2.10 – 2.12 discuss the requirement to be “Output Focused”. We fully support this approach, but would like to better understand how these outputs will be measured.

We strongly recommend that consideration is given to prioritising the requirements of prepayment customers over credit customers in certain situations. For example, in the event of no SM WAN availability upon installation, the DCC has 90 days to provide WAN. Utilita would expect to see a priority service for WAN to be established first for customers who wish to operate in prepayment mode – thus avoiding the risk of debt or unaffordable bills accruing unexpectedly while they are in credit mode, awaiting the availability of SM WAN. We feel that this is a crucial example of how the DCC’s performance could detrimentally impact the customer’s experience of smart meters, especially for prepayment customers.

The consultation suggests that two aspects of the performance metrics could focus on “Service User Measurements” and “Service Delivery Measure”. We wholly agree that these are essential measurements within the OPR. We expect therefore that in conjunction with the DCC WAN Coverage Checker containing real time information, that the maps are sufficiently granular, and that any Network Enhancement Plans are also made available to Users in the same real-time, concise manner. This will have a beneficial impact on roll out plans, and as such, will be an extremely useful tool to all DCC Users, ensuring that meters are installed in areas with SM WAN availability.

In developing these tools, DCC must ensure the needs of new entrant competitors are given equal importance as those of the large suppliers. Referring back to previous comments regarding SMETS1, it is essential that the SMETS1 meters in the field are supported and maintained in order to continue to provide benefits to those consumers. If this is overlooked, those customers who have engaged

early with the smart programme may experience unnecessary detriment compared to those who will later have a SMETS2 meter installed.

Ofgem proposes that incentives could be based on improvement rates from when DCC goes live – we believe that an approach using both upside and downside is likely to achieve a better outcome than incentives alone. An incentive will focus attention in that area, it is essential that this is not at the expense of baseline levels of service, in particular since the margin at risk is so low.

The yearly target should be refreshed and should not routinely take a previous year's failures into account. These minimum targets should be increased and adjusted following go live. It will be important to ensure that lessons are learned to generate improvements, but such lessons should not usually lead to a reduction in target in the next regulatory year. Levels of service and SM WAN availability should be expected to continue to increase following go live, thus enabling the baselines to become more stringent as the service becomes more established.

Concerning Value for Money, it is imperative that the enrolment and adoption of SMET1 meters is included in the OPR. Undoubtedly, this will provide the DCC with the necessary driver to ensure that this side of the DCC platform is delivered in a timely way, not leaving those customers installed with a SMETS1 meter at risk of detriment, or the asset at risk of stranding.

In conclusion, we expect the OPR to contain incentives and penalties that ensure that the prepayment customer is granted prioritisation over a credit customer with regards to site visits to establish or maintain SM WAN. These customers are generally more financially vulnerable than credit customers, and cannot risk getting into debt whilst the SM WAN is established – the 90 day SLA is lengthy and will increase the energy bill for that period. It is also essential that the enrolment and adoption project is included within the OPR, ensuring timely delivery of a critical service, and removing the risk of millions of stranded assets.

We also would expect the outputs relating to service delivery in the OPR to provide clarity on whether they are impacted by parties having a direct relationship with the DCC, or via an adaptor service. We have concerns that our customers will be further jeopardised by this factor, which in conjunction with operating in prepayment mode, will leave them with a less than satisfactory service in the SMETS2 / DCC world than they are currently receiving via our current SMETS1 platform.

Should you require further information relating to any of the points raised above, please do not hesitate to contact myself at the following email address: [louiseporter@utilita.co.uk](mailto:louiseporter@utilita.co.uk).

Yours sincerely,

*By email only*

**Louise Porter - Major Projects Manager**

**Utilita Energy Ltd**