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Dear Anna

SMNCC Response Paper #2

Thank you for the opportunity to comment on your Response Paper 2, response to April consultation on reviewing smart metering costs in the default tariff cap – data gathering.

We welcome Ofgem's request for information on Premature Replacement Charges (PRC) and net advertising costs. With respect to PRCs, we are concerned that the focus appears to be on replacement of traditional meters, with no account of premature replacement of SMETS1/AMR/smart-type meters with a SMETS2 meter. We would request that Ofgem take these costs into account.

We are disappointed that Ofgem is not gathering additional data from industry on the depreciation/rental life of SMETS1 meters. We do not believe that the SMETS1 specification 'set a clear standard for the lifespan of these meters' of 15 years. Indeed, the DECC IA from 2014¹, paragraph 3.3.7, implies a lifespan of less than 15 years, as it talks about first generation meters being replaced from 2027. Also, we dispute Ofgem's statement: "Given the short length of time that SMETS1 meters have been in place, we do not consider that actual data collected now would be sufficiently informative; we have been installing SMETS1 meters since 2013, so some assets will have had six years in service.

1

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/276656/smart_meter_roll_out_for_the_domestic_and_small_and_medium_and_non_domestic_sectors.pdf

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With respect to the assumed amortisation of IT costs, we appreciate that Ofgem already has sufficient data, and we trust that it will take this into consideration under this review.

In its recent decision on the review of the Prepayment Charge Restriction (PCR), the Competition and Markets Authority decided there would be no pass-through allowance in the revised PCR with effect from 1 October 2019. It considered that it was not appropriate to include costs relating to the rollout and installation of smart meters for customers without an interoperable smart meter. This was despite the fact that licence conditions require suppliers to share such costs across their whole customer portfolio; consequently, suppliers will under-recover these costs. We therefore ask Ofgem to make appropriate consideration of this in their SMNCC review to ensure suppliers are able to recover the relevant costs of the smart meter rollout across all customers as per regulatory requirements.

If you require any further information on the concerns we have raised above, please do not hesitate to contact me.

Yours sincerely

Trevor Clark
Regulatory Governance and Reporting Manager