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By email to: Retailpriceregulation@ofgem.gov.uk

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NON-CONFIDENTIAL VERSION

Dear Anna

Smart Meter Net Cost Change Consultation

Shell Energy Retail Limited welcomes the opportunity to respond to Ofgem's latest updates regarding the Smart Metering Net Cost Component (**SMNCC**) under the Cap.

Given time constraints and the need to await BEIS's updated Cost Benefit Analysis (**CBA**), we agree it makes sense to set the fourth price Cap (April 2020 - October 2020) based on the existing SMNCC model unless the revised Government Smart Meter Implementation Programme (**SMIP**) CBA is released before the end of October.

We also welcome Ofgem's decision to consider data beyond the CBA for marketing costs in particular.

As we set out in our response to the May letter, conversion from customers who had been in a smart communications cycle already (known as recycled customers) - and more generally - remains a challenge. [redacted]

[redacted]

[redacted]

The extra cost of providing Alt-HAN services is still a concern to us. BEIS sent a private letter to the Alt HAN Forum on 29/03/2019 setting out their thoughts on the emerging costs of delivering Alt HAN, together with the development of an Exempt Premise List. It would be sensible for Ofgem to engage with BEIS on this, and refine this element of the SMNCC accordingly. We would expect Alt HAN to be a straight pass-through cost and would welcome Ofgem's confirmation on this

Finally, the extended period of rollout and well-documented delays to the DCC systems mean our - and presumably other suppliers' - internal costs are significantly higher than anticipated. This calls into question the presumed efficiencies under the previous CBA, as we are maintaining allocation to the programme of the means to continue to develop, test and implement the industry and internal changes required to meet the Smart meter rollout. Examples include the additional work and re-work to support changes to meter specifications introduced as a result of the RF Noise interference problems and the restrictions currently placed on areas where we are able to install smart meters, which cost elements need to be included within the SMNCC index.



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As already noted, these ongoing aspects of the programme add considerable costs to the smart meter rollout, and were not considered in the previous CBA. Suppliers are rightly expected to adapt their engagement processes, including marketing, as the programme proceeds and - also rightly - challenged to keep their momentum up on meter rollout, in the face of meter challenges, the already-referenced and well-documented central systems and comms issues, and the persistently negative media environment. We welcome Ofgem's consideration of suppliers' marketing costs. Both such costs specifically incurred per tariff, product or customer cohort and indirectly through cuts in margin and increased churn, need to be fully factored into the Cap.

Yours sincerely

[not signed]

Natasha Hobday
Policy and Regulation Director