



**By email:**

26 November 2019

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**Statutory consultation on the post-2020 smart meter rollout supplier reporting requirements**

This letter (and Appendix with detail on your outline reporting) responds to yours of 1<sup>st</sup> October and reflects our response to the BEIS consultation on the proposed post-2020 framework for smart meter rollout. The consultation is welcome, recognising the need to rationalise and make reporting manageable for participants so as to be proportionate and efficient. This includes Ofgem and BEIS working together to streamline and align reporting requirements, with BEIS engaged in regular reviews of the state of the smart market and how that impacts reporting, to enable suppliers to operate on a lean and efficient basis.

However, the release of a statutory consultation while the BEIS one is *live*, with scope for fundamental change, is premature. In particular:

- Providing feedback is difficult without insight on how Ofgem reached its outline position, with no supplier interaction; a collaborative approach that should apply more generally.
- The associated detail is key and as yet we have no sight of proposed reporting templates nor the required level of granularity to make informed judgements.
- The orientation of the proposed post-2020 framework and this outline reporting (towards operational efficiency and measuring supplier performance as key factors) fails to reflect and acknowledge the impact of reduced customer demand.
- It places obligations on suppliers alone, without any element of mandation or wider Government enabling policy actions or advocacy - risking perverse outcomes in the form of repeated direct customer contact (poor experience); higher delivery costs and a reporting framework geared towards widespread target failure.

Your opening remarks talk of striking a balance between reporting not being overly onerous and suppliers ensuring customers have “a good end-to-end installation experience.” However failure to acknowledge customers not wanting a smart meter (either by refusal (opt-out) or being disengaged and silent), alongside technology not being available on time and coverage not existing, actually undermines those aspirations.

Our response to BEIS supported Energy UK’s submission and output from Frontier Economics highlighting the framework as not making adequate use of appropriate data to properly forecast rollout rates and realistic levels of smart penetration. As a consequence analysis forecasts lower levels of smart meter coverage and a view of take-up implied by BEIS requiring a radically different rollout approach. Again the concept of “binding annual installation targets” and reporting against them is currently inappropriate and must wait until the relevant issues are resolved.

In summary the timing and general focus of this consultation is inappropriate given the post-2020 framework is still under review and until that is locked down and we are beyond the purdah of the General Election it is not appropriate for a “hard target” regulatory reporting regime to be considered.

If you have any questions or require further clarification please contact me.

Yours sincerely,  
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## APPENDIX

It is hopefully clear from the comments we have set down in our letter that we think it wholly inappropriate to be consulting at this time on the reporting to accompany the post-2020 smart meter rollout framework. Primarily because that framework is still under consultation and indications from industry feedback so far is that it requires change in terms of its underlying assumptions, its coverage calculations, the dialogue and advocacy associated with it, and be set in a more collaborative context.

BEIS has yet to fully finalise its methodology for calculating supplier targets post-2020 and as such the proposed amendments to SLCs 33A and 39A (proposed target attainment regime) and SLCs 37/43 (Roll out reporting) are still subject to consultation (Annexes 1 and 2 of the BEIS consultation) and as yet provide no formal basis for these proposals.

We trust that the BEIS consultation exercise is genuine and the serious concerns we have on the approach and some of the flawed assumptions are acknowledged. Then they are taken into account to establish an appropriate and proportionate framework, that supports smart rollout objectives and those wider environmental and energy sector aspirations for which the smart meter rollout contributes. This will in turn influence what the milestones and targets will be and no doubt a revised review of reporting requirements.

Until such time as the above becomes clear, some thoughts of what has been presented here, that they might be useful once BEIS have agreed upon and presented the post-2020 framework and these requirements take stock of any changes:

- 1.1 Reporting requirements for energy suppliers

At face value the minded-to position appears acceptable subject to our expectation that we would expect all suppliers to be treated equitably, notwithstanding different suppliers will be at different stages of the rollout.

Aligning to 150k portfolio size makes sense insofar as consistent with other Ofgem schemes, however this could go further to 100k or even 50k so Ofgem has maximum insight of market progress and customer experience

Ofgem need to actively normalise the market by treating ALL suppliers consistently

- 1.2 Annual Reporting

Not an issue with annual reporting, but not in context of requirements of the proposed framework and the linking into a licence breach. The binding nature of milestones reflected in this reporting is flawed as set out in our opening cover letter.

We note reporting to Ofgem annual milestone year ahead becomes binding and SLC obligation, enforcement follows where missed, but applies to ALL Suppliers – but is subject to concerns around proposed framework and the assumptions around milestones currently.

We note the requirement to also report on previous year's performance, so annual reporting is forward and backward facing – however, no insight on templates to be used so much detail missing other than these principles.

- 1.3 Timing for reporting

In principle the approach is acceptable, but only if the framework persists in its current form, which we don't believe it should as per our wider concerns around the underlying assumptions, stated starting point and factors, other than operational efficiency, that we believe are slowing down the rollout.

Agree align ALL suppliers reporting to 31st Jan

We need details of templates to be used before making a more qualified comment on the proposals – essentially the consultation offers half the story here

We note the reporting is forward/backward facing

- 2.1 Content of Beginning of Year Report

Any comments here would be on the basis of the framework and binding milestones, linked into SLCs and compliance with them, persisting. We don't think they should in their current form because of being flawed in underlying assumptions (NB output from Frontier Economics) and failure to recognise the wider factors at play outside suppliers' control or influence.

- 2.2 Additional Reporting for Large Suppliers

As a general principle we believe the requirements here should be applied equally across suppliers unless there is a clear rationale for any distinction rather than generic statements around disproportionate burden. Mention here about dependencies and risks for the year, and we have already flagged some of our concerns in the accompanying letter and not sure they should be managed as suggested here, as part of reporting, but rather within the overall framework.

This should equally apply to Small Suppliers so Ofgem has assurance across the market that a Supplier's position and intent is credible and customer experience is safeguarded.

The additional items need expanding so we understand the detail and expectations, for example, reporting project "abort rates" could have many different lines of interpretation.

Installer capacity, productivity and abort rates are micro management, surely Ofgem is most interested in a supplier's planned install volume and their progress against this?

Ofgem indicate customer engagement remains a key challenge, and that Suppliers need to set out their approaches, this has no definition or expectations or details from which to provide an opinion – so what is the impact or benefits being proposed ?

Small vs large Suppliers, we need market normalisation, and a simple fact of operating requires suppliers to report, it could be read that Ofgem are not bothered about the 10% (market share of suppliers <150K) customers, they need to have similar levels of oversight and understanding of customer experience and supplier progress

- 2.3 Process for managing Beginning of Year Submissions

Again treatment, reviews by Ofgem, should be equitable across suppliers, and not appropriate that wider issues, constraints only considered within the context of reporting, if their impact is being experienced across suppliers and across the rollout programme.

Minded to position – why take this approach?, we think ALL Suppliers would want regulatory feedback and it should be given formally not left silent.

We need to have defined timescales for Ofgem to provide feedback, in previous years this has been inconsistent, at times approaching June when Suppliers have reached the half year, which leaves Suppliers only the second half of the year to correct or resolve anything Ofgem feels necessary, so would prefer Ofgem to provide a written statement before the end of February in each regulatory year – as drafted it unhelpfully states (respond to suppliers in “due course”) an expectation needs to be established.

Small suppliers have to report annual milestones only –this is unsatisfactory.

- 3.1 Content of End of Year Performance Report

There are some concerning references in the rationale here to reviewing narrative on performance and determining compliance and possible enforcement. As stated in our letter the way the BEIS framework is currently orientated has the potential to result in perverse outcomes in terms of setting up suppliers to fail, having a marked impact on trust in the round and the rollout in particular, alongside a poor customer experience and potentially increasing costs. ***It is inappropriate at this stage, when the framework is not yet established, to consider these matters in this tone.***

Minded to position applies to ALL Suppliers – we agree – note the box narrative is cut off it ends “ All Suppliers should also provide a narrative setting out their.....????”

Reference to in breach of SLC – very repetitive and as set out elsewhere this approach, tone, unhelpful in terms of striving towards rollout and wider objectives, as if geared towards failure as indicated.

Offers Suppliers chance to provide a short narrative on their performance in the previous year – without any qualification, important when considering the narrative will support Ofgem in determining whether enforcement action should be taken. Again negative tone, inappropriate when framework still out to consultation and when approach of all stakeholders should be collaborative to achieve desired outcomes and wider aspirations beyond smart meter programme.

- 3.2 Additional End of Year Performance Reporting

Not keen within this reporting framework on focus in some areas on Large Suppliers alone as per earlier points about equitable application of requirements on suppliers unless clear rationale for any distinction. No real objection to splits proposed, subject to believing all will need to be reconsidered if the overall framework for post-2020 is amended.

Rationale: we need to see how reporting templates are designed and operate; we cannot provide feedback on something we do not have.

We understand that Ofgem might want to see wider supplier approach and performance, but in itself this is not enforceable, as long as numbers being achieved

- This should apply to ALL suppliers to ensure Ofgem is safeguarding ALL customers, and also ensuring new market entrants and challenger brands are operating without discrimination or customer distortion.

- 4.1 Publication of Information

We have, as stated elsewhere, here and in response to BEIS consultation, stated serious concerns with milestone approach and focus on supplier performance (and here compliance) as the means of accelerating and following through on the complete rollout. There are real risks of such an approach having negative and perverse consequences on the programme through target failures in terms of cost, customer experiences and negative perceptions of all stakeholders. The publishing of such information only exacerbates that risk.

Ofgem only provide this (market wide observations) once a year in letter form, we have mentioned consistently you could and should do more in using a privileged position and wide market access to share information and insights which are beneficial to the industry. As should BEIS with some form of state of the market (smart) review each year that informs their overall framework, milestones, etc.

Agree with statement on continuing to publish qualitative observations, but as above not once a year only – Ofgem have the opportunity to add more value and to take a more inclusive, collaborative role.

- 4.2 Additional Information to be Published – Large Suppliers

No objections in principle to providing splits of information, but that is subject to reporting framework surviving in this form, given expectation that overall framework and its orientation need to be amended to reflect the realities of now and to acknowledge that the elements required to optimise the rollout are wider than supplier performance alone.

- 5. Regulatory framework – licence condition amendments

The tightening and underpinning of the associated licence conditions, based around the annual milestones and reporting on them, allied to performance against them is again premature at this stage. We believe the framework to be flawed in terms of its starting position, its ultimate objective and the factors that in reality will affect the latter, the principal ones being outside the control of suppliers. Such a tightening of SLC is inappropriate in light of the above.

- Figures 1 and 2

Ofgem need to confirm definition of non-domestic being applied here

Ofgem need to be specific on expectations where it states narrative setting out performance for the preceding year

Annual milestone delivery and the breakdown is commercially sensitive in terms of publishing

For Small suppliers the number of qualifying relevant premises and calculated targets needs to be shown for Gas/Elec at minimum and preferably further broken down to be consistent with large Supplier approach

- OTHER/GENERAL

Whilst no real issues of “small” or “large “customer” breakdown, if publication of performance against criteria is being proposed, for the benefit of the consumer, then this should be made available to all customers. Failure to observe this would mean that c8% of all customers would not get this “benefit”.

Careful consideration should be given to any issues around customer confidentiality (especially having regard to past difficulties with the ICO).

It is noted that the proposals are fixed on beginning and end of year reporting. There is no proposal within SLCs (44A/38A) for an information request and so no mechanism for suppliers to formally engage with the regulator in the interim. If the issues above persist, then little point in just waiting for the end of the year to report negative impact on performance.

We have little or no detail of the likely template content but the consultation seems to indicate quite strongly that suppliers will only have a “short narrative” to explain any shortfalls. This gives the distinct impression that Ofgem is not willing to “listen” just to act on the figures.

The New LC’s should also require an annual report from the Central Delivery body to provide a context for the suppliers report on performance for the year ahead. That way, Ofgem can accurately reflect what should be a realistic target attainment for suppliers.