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By email only to: smartmetering@ofgem.gov.uk

11 November 2019

Dear Cecilie,

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

Thank you for the opportunity to comment on the above consultation dated 1 October 2019. This letter should be treated as a consolidated response on behalf of UK Power Networks' three licensed distribution companies: Eastern Power Networks plc; London Power Networks plc; and South Eastern Power Networks plc.

We welcome the annual reporting proposed by the Government and Ofgem. While we note the consultation is aimed predominately at suppliers, we have the following comments on the extension of the smart meter rollout until the end of 2024 from a DNO perspective:

- 1) The following list of price control terms are currently allowed as Licensee expenditure and/or pass through costs until 2020/21. As such, with the extension of the rollout, these will need to be extended to at least the end of the price control:
 - I. Smart Meter Allowed Expenditure, SMAE, allowed expenditure, (Charge Restriction Condition (CRC) 3E);
 - II. Smart Meter Communication Licensee Costs, SMC, pass through (CRC 2B.20);
 - III. Smart Meter Information Technology Costs, SMIT, pass through (CRC 2B.23); and

For ease of reference, we have included the tables for the three items in the Appendix.

- 2) DNO visibility of forecast and actual smart meter installations.

Regarding 1) we note from the DNO licence conditions, that for RIIO-ED1, licensees were given an allowance for the first six years of RIIO-ED1, up until the end of March 2021.

Initially, Ofgem had planned to give allowances and pass through arrangements for the first five years of RIIO-ED1, as set out in the RIIO-ED1 Strategy Decision. Ultimately, and in recognition of the delays to the smart meter programme commencing, Ofgem extended the arrangements before finalising the RIIO-ED1 licences.

The RIIO-ED1 licence CRC 3E Smart Meter rollout costs paragraph 3E.9 provides for the Authority to reflect changes not apparent at the time of setting price control arrangements:

“For Regulatory Year 2021/22 the annual value of SMAE will be zero, unless, following consultation with the licensee, the Authority directs that it should be a different value to take account of circumstances that were unforeseen at the time of the ED1 Final Determination.”

The licence similarly enables Ofgem to direct alternative values for 2022/23 than the current licence formula.

Given the precedent has been set to extend the allowances for DNOs based on a resetting of the smart meter rollout target date. We would expect the same arrangement to take place for the extension post-2020.

Our RIIO-ED1 commitments recognise that there will be a lead time to realise smart metering benefits, driven mainly by the saturation of meters in the market. With the slower than anticipated rollout of smart meters, as recognised by the BEIS post-2020 Framework consultation, the benefits for DNOs have not yet materialised and require further time to mature. With this in mind we would welcome further discussions with Ofgem about the future of the current pass through arrangements for establishing the systems and changes needed to realise the potential benefits.

Furthermore, we note that in 2020/21, the Authority is due to carry out a review (the “SMIT review”) of the information technology costs that the licensee has incurred or plans to incur, during RIIO-ED1. This will determine whether the costs incurred or planned are falling or capable of falling within the definition of Smart Meter Information Technology Costs. With the delay to 2024 this is an opportune time to consider moving this review until the end of the price control as part of the close out process.

Finally, in respect of 1), the last year of the rollout will need to be considered as part of RIIO-ED2 for which licensees should be funded for in 2023/24 given the deadline for the rollout is now proposed to be the end of 2024.

Regarding 2) currently suppliers over a defined size provide DNOs with a quarterly forecast of smart meter installation volumes:

- DNO (GSP) level (eight quarters);
- Postcode Area level (eight quarters); and
- Postcode Out code level (two quarters).

These forecasts are useful for DNOs to plan for smart meter interventions and therefore staffing levels, which are ultimately paid for by customers through their bills.

However, whilst data is provided, it is not done so in a standardised form.¹ DNOs receive and then have to aggregate the supplier forecast data. Therefore, we would welcome standardisation across the industry that would allow greater comparability, as well as better tracking of installation performance to achieve the end objective of smart meters being rolled out nationwide. We therefore propose that an intermediary organisation such as BEIS, Ofgem or even DCUSA, could coordinate all supplier installation forecasts and data cleansing, before issuing a consolidated forecast view to network operators.

¹ Within the Excel files, some DNOs use different rows, columns and data, rather than a prescribed template.

On the point of monitoring smart meter installation performance for the purposes of determining whether a licence condition has been breached and therefore constituting enforcement action, we have noted that actual installation volumes achieved are substantially lower than the forecast installation volumes we receive. We support the introduction of a licence breach as a backstop and believe this will increase the actual versus forecast installation percentages.

With a number of suppliers entering the Supplier of Last Resort (SoLR) process recently, we can see a potential disincentive for a supplier to take on the customers of a failed supplier, especially if the supplier fails closer to 2024 and the failed supplier was behind on its smart meter rollout. We would welcome engagement with Ofgem on how such a scenario can be avoided, to minimise any harm and consumer detriment.

We hope you find our comments useful from a network's perspective.

If you have any queries on our feedback please do not hesitate to contact me.

Yours sincerely



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UK Power Networks

Copy Smart Metering Implementation Programme, Policy and Governance Team, Department for Business, Energy and Industrial Strategy
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Appendix

Values for the SMIE term (£m, 2012/13 prices) by licensee (see Part F of this condition)

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL	1.6	1.6	1.5	1.1	0.6	0.5	0.0	0.0
NPgN	0.5	0.5	0.5	0.5	0.5	0.6	0.0	0.0
NPgY	0.7	0.7	0.7	0.7	0.8	0.8	0.0	0.0
LPN	0.5	0.2	0.3	0.5	0.2	0.5	0.0	0.0
SPN	0.5	0.2	0.3	0.5	0.2	0.5	0.0	0.0
EPN	0.5	0.2	0.3	0.5	0.2	0.5	0.0	0.0
SPD	1.5	1.0	0.8	0.5	0.3	0.0	0.0	0.0
SPMW	1.1	0.7	0.6	0.3	0.2	0.0	0.0	0.0
SSES	4.5	0.0	0.0	0.0	1.0	0.0	0.0	0.0

Table 1: Opening SMAE values for the licensee (£m, in 2012/13 prices)

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL	1.85	2.55	3.09	2.82	2.69	0.00	0	0
NPgN	0.79	1.36	2.04	2.33	2.28	1.66	0	0
NPgY	1.14	1.93	2.84	3.25	3.21	2.36	0	0
LPN	1.21	2.06	2.65	2.94	2.94	2.17	0	0
SPN	1.18	2.00	2.60	2.87	2.88	2.12	0	0
EPN	1.80	3.28	4.19	4.57	4.48	3.15	0	0
SPD	1.06	1.85	2.33	2.87	2.75	1.63	0	0
SPMW	0.65	1.20	1.53	1.83	1.75	1.06	0	0
SSEH	0.31	0.59	0.83	0.92	0.88	0.62	0	0
SSES	1.26	2.40	3.40	3.79	3.59	2.52	0	0

APPENDIX 4

Values for the SMCE term (£m, 2012/13 prices) by licensee
(see Part E of this condition)

Licensee	Regulatory Year							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
ENWL	0.8	0.9	0.9	0.9	0.9	0.9	0.0	0.0
NPgN	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0
NPgY	0.5	0.5	0.5	0.5	0.5	0.5	0.0	0.0
LPN	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0
SPN	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0
EPN	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.0
SPD	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0
SPMW	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.0
SSES	0.6	0.6	0.6	0.6	0.7	0.7	0.0	0.0