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19 June 2017

Consultation on the implementation of the Operational Performance Regime and direction to populate Schedule 4 of the Smart Communication Licence

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, storage, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

We welcome the opportunity to comment on the Consultation on the implementation of the Operational Performance Regime.

We remain committed to the DCC and the benefits that it will bring through providing a common, secure interface between suppliers and enrolled smart meters. This will ensure that customers can benefit from a seamless smart service from all suppliers, whilst having confidence in the DCC provision of secure data and their smart metering systems.

As the industry moves into the SMETS2 ramp up period, we will be increasingly dependent on the DCC to meet our regulatory obligations and deliver a good customer service. Indeed, we believe that the performance of DCC in terms of customer experience of smart metering installation and accuracy of information displayed on the In Home Display (IHD) could have a significant impact on the success of the smart meter rollout. DCC performance in the early days of rollout before they are fully stabilised is an important factor in this success. An important area during the early days (interim period) will be the DCC Service Level performance information provided to Suppliers.

We are supportive that the OPR will place 100% of the value of the DCC's smart meter related margin at risk.

We agree the enduring OPR should begin in April 2018. However, we do not accept Ofgem's proposal not to have an interim regime in this regulatory year and are extremely concerned they are considering removing the proposed Interim Performance regime in RY 17/18. We firmly believe there needs to be an interim OPR regime in place from Release 1.3 through to April 2018. During this period, large suppliers will have commenced installation of SMETS 2 meters and be ramping up at volume in order to attain their rollout targets. It is accepted that DCC will take some time to reach system stability,

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however, this initial period is critical in setting up the enduring arrangements for success. In the period whilst stability is being achieved, suppliers will be heavily reliant on the DCC meeting and reporting in accordance with its SLAs. For these reasons, EDF Energy cannot support the proposal that DCC's margin from RY16/17 and 17/18 be spread across the remaining years of the smart meter roll out (RY 18/19 – RY 20/21).

We support the Performance Measures reporting being set up from release 1.3 against the OPR metrics. However, given the DCC is a regulated monopoly and has been aware of the additional reporting since prior to November 2016, we do not understand why extra time is required to set up the more detailed reporting process. From the date when the DCC is operationally capable of supporting SMETS 2 meters and the beginning of the mass rollout of SMETS 2 meters, is the time when suppliers will need the fullest support from the DCC and, therefore, it is essential that the additional reporting is put in place.

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Ashley Pocock on 07875 112854, or myself.

I confirm that this letter and its attachment may be published on DCC's website.

Yours sincerely,

A handwritten signature in blue ink that reads 'Paul Delamare'.

Paul Delamare
Head of Customers Policy and Regulation

Attachment

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EDF Energy's response to your questions

Question 1: Do you agree that the accompanying draft direction reflects the policy intent for the enduring regime? If not, please explain using evidence.

EDF Energy agrees that the accompanying draft direction contained within the consultation reflects the policy intent for the enduring regime. We agree with the proposed changes to Schedule 4 of the Smart Meter Communication Licence.

Question 2: Do you agree with our minded to position to begin the enduring OPR in April 2018 without an interim regime in this regulatory year? If not, please explain using evidence.

Although we are happy to support the enduring OPR commencing in April 2018, we believe there needs to be an interim OPR regime from Release 1.3 (expected to be 21 July) through to April 2018. All large suppliers will be installing SMETS 2 meters during the interim regime period and it is expected to take some time to reach DCC system stability. In the period whilst stability is being achieved, suppliers will be heavily reliant on the DCC meeting its SLAs around the areas outlined in appendix 2 of the consultation. Without the pressure of financial penalties on the DCC to meet their performance targets, it risks suppliers having to restrict their SMETS 2 volume rollouts to protect customers from poor experiences with SMETS 2 meters as we cannot guarantee a suitable level of service from the DCC. If the DCC, whilst reporting on the metrics from Release 1.3, is not under a financial incentive to achieve its performance metrics it may deliver lower levels of performance and extend the period before stability is achieved further delaying the mass rollout of SMETS 2 meters. We, therefore, strongly recommend that the interim OPR is reinstated and enforced.

For the above reasons, EDF Energy cannot support the proposal to spread DCC's margin from RY16/17 and 17/18 across the remaining years of the smart meter rollout (RY 18/19 – RY 20/21).

Question 3: Do you agree that the treatment of exceptional events in DCC's performance reporting needs to remain consistent between the OPR and SEC and Service provider performance measures reported in DCC's Monthly Performance Measures report? If not, please explain using evidence.

EDF Energy agrees with the argument that DCC should not be penalised for exceptional events which are outside of their control, subject to independent verification that this is

the case. We are supportive of Ofgem's conclusion that the current OPR arrangements already allow for incidents or events beyond DCC's control. This can be adjusted for in DCC's performance measurement methodology report.

We are supportive of Ofgem's proposal that the treatment of exceptional events in DCC's performance reporting needs to remain consistent between the OPR and SEC and Service provider performance measures reported in DCC's Monthly Performance Measures report.

EDF Energy
June 2017