

Smart Metering Implementation Programme - Regulation  
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Dear Sir or Madam,

**Re: A Consultation on New Smart Energy Code Content (Stage 4)**

I am writing in response to the above consultation dated 30<sup>th</sup> of June 2014 to set out Haven Power Limited's (Haven) views and responses to the questions that are set out in the document. We have provided answers to some questions (attached to this letter) as well as some general views that are set out in the main body of this letter.

Haven Power Ltd ("Haven") is a non-domestic electricity supplier and has been part of the Drax Group plc. since 2009. We began supplying the SME (Small/Medium Enterprise) sector in 2007 and now have ~36,000 MPANs. In 2009, we entered the I&C (Industrial & Commercial) sector and have grown our customer base to ~7,500 MPANs.

As an independent non-domestic supplier, we have a number of concerns regarding the smart metering programme. In particular, we would like to highlight two areas – the non-domestic opt-out and the obligation on suppliers to forecast smart meter installs.

We believe that the continuing uncertainty regarding the operation of the non-domestic opt-out is harmful to suppliers like us, who are trying to understand what their obligations will be, the level of interaction they will have with the DCC and what message to give their customers if the customer decides that they wish to opt out. Haven would urge DECC to clarify this as a matter of urgency.

The focus for this programme to date has been centred on the domestic arena across the piece – from industry process / technical documents to the consumer awareness campaign. Whilst it is clear that the opt-out as it stands has many problems and needs to be reviewed, it must be understood that any changes to the opt-out policy such as removing it or altering its operation fundamentally will have significant impacts on many parties and they will need time to take this in to consideration.

We have looked at some of the detail on the forecasting that is expected from all suppliers and are particularly worried about the impact and resource demand this will have on independent suppliers, and especially the new market entrants. We do not believe this has not been taken into consideration by either DECC or the DCC.

So far we have been told about the need for forecasts covering service requests, communications hubs and smart meters (including a factor for churn rate) by mid-November. These will all take significant time to produce and given our reliance on many other factors (e.g. third party agents and a decision on the opt-out) are likely to be inaccurate and of very little use to the programme.

We believe a common sense approach where the benefit and likely inaccuracy of these forecasts is weighed against the impact on independent / smaller suppliers is necessary. We think that the DCC should have an understanding of the level and type of information that is required from smaller suppliers by DECC and Ofgem and that the forecasting requirements for smaller suppliers should

mirror these as far as possible. This will ensure clarity and consistency for all concerned. We also think that a specific workshop on forecasting for smaller suppliers would be beneficial to ensure that the obligations being placed on them are achievable.

If you would like to discuss these concerns or any of our answers to the questions further, please get in touch using the details below.

Yours sincerely

### **Parties Involved in the Provision of Communications Hubs**

**Q1: Do you agree with the requirement for the DCC to consult SEC Parties on future tranches of Communications Hubs procurement?**

Yes, given that consumers, via SEC parties will ultimately bear the cost we believe that it is important that SEC parties have a say in the process rather than having the outcome imposed upon them. SEC parties such as suppliers will also be better placed to consider the impact of factors such as the physical dimension of the Hubs on the rollout programme.

**Q2: Do you agree with the proposed approach to allow SEC Parties (which will include MOPs) to forecast, order, take delivery and return uninstalled Communications Hubs?**

Yes, we believe that this facility will be important for small / independent suppliers who will be procuring agents to install and commission Communications Hubs. These suppliers will not know the storage capacity of their respective agents or know if those agents are installing for more than one supplier in a particular region.

### **Communications Hub Support Materials**

**Q3: Do you agree with the proposed approach and legal drafting in relation to the development of the Communications Hub Support Materials?**

We agree with the approach to developing the Support Materials and appreciate that the DCC and parties will be working within a challenging timeframe. The DCC has made efforts to engage with small / independent energy suppliers and we would stress the importance of continuing to do so. We believe that it is likely that this group of suppliers are likely to rely on the Support Materials quite heavily having not had the resource to engage with the process to the same level as large energy suppliers.

### **Communications Hubs Forecasting**

**Q4: Do you agree with the proposed approach and legal drafting in relation to forecasting of Communications Hubs?**

We understand why having sight of the predicted numbers of Communication Hubs required by the larger suppliers would be beneficial, and as predicted roll out plans have to be supplied to DECC many of these numbers may already be available.

However a smaller independent supplier does not have to supply these numbers to DECC and may not be as far developed with their installation plans, so will have difficulty accurately forecasting Communications Hub requirements 2 years in advance. Haven have already written to DECC outlining the reasons we do not feel able to determine our rollout plan with enough certainty to be meaningful at this time and believe that many of the issues we have outlined will also apply to our Communications Hub forecasting capabilities. Two of our main points are:

- We are wholly dependent on third party agents for our installation services and our rollout plans will be driven by the resource that is available.
- There need to be sufficient SMETS 2 meters in the market place available to smaller suppliers (who are unlikely to have any traction liaising with meter manufacturers directly); at this time there isn't enough information available on when this will be. We won't order Communications Hub for installations until we know we have SMETS 2 meters to go with them, especially since the charging will be more expensive for Hubs that are stored and not used.

### **Communications Hubs Ordering**

**Q6: Do you agree with the proposed approach and legal drafting in relation to ordering of Communications Hubs?**

Whilst a pallet sized minimum delivery amount (having seen the size of a communication hub we would estimate at least two thousand hubs per pallet,) may not pose a problem for a larger supplier with a sizeable installation programme this is not the case for smaller independents, and given that we will be required to pay for this hardware from the time these hubs are delivered we do not agree with this approach.

This defeats the point of smaller suppliers giving forecasts as these are effectively going to be ignored if the amount isn't of a convenient size for the CSP (i.e. a pallet). Whilst it is possible that smaller suppliers will have installation agents in common this is not necessarily the case.

We do not believe that a circumstance where smaller suppliers end up with a significant stock of Communication Hubs sitting in a warehouse gathering dust while they pay for them is beneficial for anyone. There is also a danger that storage space becomes a key driver of installation projects at the expense of customer convenience or efficient resource allocation.

There needs to be an option for a smaller delivery available where forecasts provided indicate that a pallet would be too large.

There are a number of reasons that installations may not go ahead in the numbers previously predicted, for example if a collective switch sees a reduction of customers for a supplier in a particular area or if there is a severe weather event. We believe that allowing Parties to cancel orders ahead of the delivery date is sensible.

### **Communications Hubs Delivery and Handover**

**Q7: Do you agree with the proposed approach and legal drafting in relation to delivery and handover of Communications Hubs?**

We believe care must be taken to ensure there are no adverse impacts if the decision is taken to limit or restrict delivery locations in the CHHSM. The delivery destination of Communications Hubs may depend on where the resource to install them is available, and inflexible delivery system could mean that a supplier is stuck with an agent that isn't performing because that is where the equipment they are paying for is being delivered. We believe that given there is four months' notice for finalising Communications hub ordering there is sufficient time to allow for a delivery anywhere in the UK mainland without any adverse (cost or otherwise) impact on the DCC or the CSP. We would also suggest that there is process to allow for these delivery addresses to be changed in an emergency (e.g. warehouse fire, adverse weather or another force majeure type event).

### **Communications Hubs Removal, Replacement and Returns**

**Q9: Do you agree with the proposed approach and legal drafting in relation to removal and returns of Communications Hubs?**

We agree that the removing supplier should be responsible for returning the hub to the DCC and that all reasonable steps should be taken to redeploy Communications Hubs where possible to keep costs down. We believe that a record should be kept of whether a Communications Hub has been redeployed to track whether previously reported and resolved faults reoccur. This will allow accurate assessments to be made of which circumstances would mean that a Hub should not be reused.

**Q10: Do you agree that there should be an obligation for the first installing supplier in a dual fuel premises to take all reasonable steps to install a Communications Hubs that would**

**work with both the smart meter that it is installing and the smart meter of the other fuel type?**

We agree that interoperability is important, but we see placing this obligation on suppliers as it is as being problematic, not particularly meaningful and difficult to prove in terms of breach and enforcement.

A single fuel supplier will not have sufficient expertise in a fuel they do not supply and metering which they do not service to ensure that the Communications Hub is compatible with another provider's meter, especially where the meter is not already in situ. We would argue that the person in the supply chain best placed to know what their devices will work with are the CSP themselves and that an obligation should be placed on them to ensure that they accurately communicate the meter makes and models that their devices are compatible with. This will make it easier for suppliers to ensure that what they fit works with other equipment.

### **Communications Hubs Returns Categories**

**Q11 Do you agree with the Government's proposals in relation to the processes to determine the reasons for early return of Communications Hubs?**

We believe that it is sensible to include a right to return non-faulty Communications Hubs prior to installation. Customers have a right to switch supplier and they are being actively encouraged to do. As a result, regardless of how efficient a supplier's ordering practices are, they cannot always predict customer numbers – especially when they are ordering their Hubs months ahead of time.

We understand that a fee may be chargeable to send these communications hubs back and feel that this would be enough of an incentive to ensure that ordering practices are as efficient as they can be. For example, we think it would be perverse if in circumstances where a region has run a collective switching campaign you end up with a supplier who needs an extra 2000 Hubs not being able to source them because they are currently sitting in the losing supplier's warehouses.

We think that in these instances where the Communications Hub has not been deployed the "reconditioning fee" mentioned on P33 of the consultation should be minimal, if it is at all necessary.

Until the installation and commissioning process has been underway for a period of time forecasts and orders are likely to be based on estimated variables (how many installations can be done in a day, how much notice customers generally need, average abort rates etc.), we believe that forecasting is likely to initially be inaccurate and should improve over time. Allowing a supplier to cancel an order for a fee, provided that a reason is given, is a sensible option.

### **Security Assurance**

**Q15a: Do you agree with the Governments proposals in relation to Security Assurance? In particular on:**

- the proposal for the SEC Panel to procure a central CIO on an initial basis;
- the proposal for Users to meet the costs of security assessments that are undertaken at their organisation;
- the proposal for a three year rolling cycle of security assessments to be used to provide assurance on Users;
- the process for identifying and managing non-compliance; and
- the assessment arrangements proposed for DCC.

We agree with the proposal to centrally procure a central CIO, we feel that this is the best way to ensure consistency and value for money which will benefit all parties.

## **Privacy Audits**

### **Q16: Do you agree with our proposed approach and legal text for SEC in relation to Privacy Assessments?**

No, we are concerned that the drafting of this section does not take in to account the fact that the SEC will also cover non-domestic properties. Unlike other areas of the SEC, the wording and does not distinguish between the different requirements between the domestic and non-domestic sector. We believe that the “one size fits all” drafting of this section will cause non-domestic suppliers difficulties when interpreting it, which in turn will lead to uncertainty with when trying to ensure compliance.

As a non-domestic supplier we have a number of customers which have sites of different types caught by the obligation to install a SMETS 2 meter. We would like to know how you would interpret the requirement to gain consent from the “Energy Consumer” to access their data for the following types of site:

- Lampposts
- Pumping stations
- Store cupboards
- Landlord supplies at multiple occupancy sites
- Retail units which are part of a chain and procure their energy through head office.

These are all categories where we have sites that fulfil the “Designated Premises” criteria.

We believe that for non-domestic suppliers a more suitable requirement would be to gain the permission of the contracting party where applicable. This would ensure that microbusinesses have adequate protection, but larger customers are not unduly inconvenienced. It would also mean that non-domestic suppliers could be clear on their obligation and whom they should contact and mean that the requirement could be audited effectively.

### **Q18: Do you agree with the proposal for Users to meet the costs of the privacy assessments that are undertaken at their organisation?**

Yes provided that the privacy assessment is proportionate to the type of supplier and best value can be demonstrated in the procurement process.

## **Consumer Consent for Connecting Consumer Devices**

### **Q20: Do you agree that the proposed legal drafting reflects the position reached in the SMETS2 consultation response, that Users should be required obtain consent and to verify the identity of the energy consumer from whom they have obtained the consent prior to pairing a CAD?**

Please refer to question 16 with regards to the difficulty determining who counts as the “Energy Consumer” for non-domestic premises.

## **Provision and Use of User Gateway Connections**

### **Q33: Do you agree that the proposed legal drafting accurately reflects the process by which the DCC will provider connection the DCC User Gateway?**

We would like to understand what happens if an upgrade to a low grade connection is needed, for example if a small supplier (or a new market entrant) finds they need a better connection as a result of growth. There only appears to be provision for a bandwidth variance with the high volume connection and there is no mention of any other upgrade, for example from low to high.

### **Charging Matters**

**Q53: Do you agree with the proposed approach and legal drafting in relation to the credit cover threshold?**

No. All suppliers, regardless of whether they are mandated to use the DCC must sign up to the SEC. Changing the section from Users to Parties means that even if you are a non-domestic supplier that has opted out of the DCC you are liable for charges. We do not see how this is equitable when opted out suppliers will be receiving no benefit. Further it does not fit with work being done to encourage new market entrants and promote small supplier growth. If these changes are to be implemented we believe that the supply licence condition mandating all parties must sign the code should be revisited.

### **Non-Domestic Supplier Opt Out**

**Q61: Do you have any views on the operation of SMETS 2 meters that are opted out of DCC services in light of:**

- **the conclusions on SMKI set out above; and**
- **any other matters, including GBCS, that may affect two-way communications with an opted-out meter?**

We understand the conclusions on SMKI with regard to SMETS 2 meters that are being installed by non-domestic suppliers. However we do not see the merit in non-domestic suppliers who are either planning on opting out, or have a customer who has specified they do not want their meters enrolled in the DCC being obligated to fit a SMETS 2 meter that will have less functionality than a SMETS 1 or AMR. This is not in the best interests of the customer or helpful to the perception of the rollout as a whole. Non-domestic energy suppliers already use third party agents for their data services for their half hourly and AMR meters, it is unlikely that any of these agents would be able to replicate the DCC to the level required to allow two-way communication with SMETS 2 meters. Even if they were able to, it is likely to be extremely uneconomical which would be reflected in any pricing they were able to offer. Haven has consistently stated that we have grave concerns regarding the way that the opt-out has been constructed and that the needs of the customer appear to have got lost along the way.