

Smart Metering Implementation Programme, Smart Metering Rollout Strategy – consultation

Utilita Response

Introduction

- 1.1. Utilita launched its smart pre-pay product in 2008/09, and we have been offering that product almost exclusively since that time.
- 1.2. When we first launched the smart pre-pay product it was an innovation that no other supplier had made. Indeed most industry participants had decided against the concept in GB, and Ofgem ruled Utilita out of the Energy Demand Reduction Project (EDRP) a project that was intended to establish the benefits of smart metering. This is despite the fact that 200,000 smart pre-pay electricity meters had been installed in Northern Ireland, bringing significant benefits to those consumers.
- 1.3. Ofgem commenced its smart meter programme in December 2009, but did not introduce a commercial regime in which investment in smart pre-pay could flourish. That regime did not come about until 2013, when SMETS 1.0 compliant meters were available under the DECC programme.
- 1.4. The consequence of this uncertainty continuing for four years has been to stifle Utilita's growth, reducing the numbers of customers - many of whom will have low incomes or be vulnerable – to whom the smart pre-pay product was available.
- 1.5. Smart pre-pay is now recognised as bringing considerable value to low income households. Indeed the Secretary of State for Energy wrote to all suppliers in April 2014 challenging them to roll-out smart pre-pay as a priority, and since that time several suppliers have launched products based on the same technology used by Utilita. We are in no doubt that had we not persevered with our smart pre-pay product and advocated its wider adoption, smart pre-pay would not now be a realistic option and the benefits it delivers would not be available to consumers.
- 1.6. Utilita welcomes the opportunity to respond to this consultation and is supportive of the progress made over recent months in terms of trying to provide more certainty on DCC Live, however believes the delays to the programme are unfortunate, and have created knock-on issues in the ability of participants to finalise and test their own systems.
- 1.7. Utilita, due to its portfolio of over 98% prepayment customers is uniquely placed to both understand and explain the issues specific to prepayment customers, though we have found it difficult to gain traction. We believe that this relates to a lack of understanding of the issues for prepayment customers, and equally, low recognition of the fact that, within a flexible and adaptable approach, prepayment customers as a group stand to gain the most from smart metering.
- 1.8. The requirement to have an agreed set of supplier functionality for SMETS2 meters from DCC Live is as essential a requirement as allowing consumers to retain the functionality to which they have become accustomed in using their SMETS1 devices. Utilita believes therefore that the underpinning principle should be one of allowing choice to both consumers and suppliers, and allowing SMETS1 and SMETS2 to co-exist on an enduring basis.

- 1.9. The current uncertainty on DCC Live increases suppliers' difficulty in planning and procurement, this is likely to create supply chain delays and increase supply chain costs.
- 1.10. We set out below some of our reasons for our strong opposition to the end dating of SMETS1 meters or capping their numbers.

SMETS1 vs. SMETS2

- 1.11. Utilita has a number of general concerns on the smart metering rollout programme. The main concern is the potential treatment of SMETS1 meters, in particular the intention to end date the installation of SMETS1 meters in favour of SMETS2 meters.
- 1.12. The main reason for this is that it will be a clear retrograde step, removing benefits from customers who have received SMETS1 meters, as not all of the same benefits will be available to the customer using SMETS2 meters.
- 1.13. We have previously explained that the SMETS1 compliant meters Utilita installs provide significant benefits over and above the SMETS2 requirements, and in some ways exceed those requirements. This means that the SMETS1 meters we use are in the position of not being SMETS2 compliant by virtue of the fact that they exceed the SMETS2 specification.
- 1.14. Utilita does not believe that the original intention of the technical specifications was to constrain customer choice and the benefits available to them. We therefore consider that both specifications should be acceptable within DCC Live.
- 1.15. As we have set out elsewhere in this submission, SMETS1 meters offer benefits in no WAN situations that are not achievable with SMETS2. Using the SMETS1 compliant meters Utilita installs, even with no WAN we can:
- Remote vend;
 - Monitor consumption;
 - Change prices;
 - Monitor debt; and
 - Take advantage of lower cost to serve.

These benefits are all critical for smart prepayment customers.

- 1.16. If the additional benefits and flexibility of the SMETS1 meters means that the costs of formal incorporation within DCC Live prove prohibitive, then they should continue to co-exist as now, providing a real competitive choice in smart metering.

Issues specific to smart prepayment

- 1.17. In prepayment, it is essential to recognise that smart meters provide significant benefits to customers, even where there is no WAN.
- 1.18. At present we can install a smart prepayment meter with no WAN, which in 95% of cases will have gained WAN access shortly thereafter (within 2-3 days).
- 1.19. In DCC, because the commissioning process is not immediate in no WAN cases, this may result in the meter removal if remedies immediately available such as meshing do not resolve the issue. Resolution timescales in the DCC world then allow a further 90 days for WAN fix, presuming it is within area. If it is not, then this may remove access to the smart meter technology for that customer until resolution.

- 1.20. This would not be the case under the current arrangements using the SMETS1 meters, and in our view is a significantly poorer experience for prepayment customers, who are often vulnerable and most in need of the benefits that smart metering can offer.
- 1.21. The second major issue in the no WAN world is the prompt management of prices paid by customers. In our current meters, which comply with SMETS1, if the customer has no WAN, and a price amendment is required, the current system will recognise this issue remotely. On the next top up, the customer will receive a special (longer) code which will contain the price change information required as well as the top up.
- 1.22. This functionality supports Utilita in complying with its licence requirements to take all reasonable steps to update prices in prepayment meters within a reasonable time. This requirement covers both payments by instalments and minimising the risk of customers acquiring outstanding charges due to delayed updates to prices.
- 1.23. These remote arrangements are not available to suppliers under DCC. In DCC an engineer is expected to attend the premise with a handheld device to physically plug into the meter to download the update. Utilita believes that this is unnecessarily costly, inefficient and requires access to customer premises when a good alternative is available.
- 1.24. This is also a backward step from legacy meters, where the same problem could have been resolved by issuance of a new card or key.
- 1.25. The same functionality issues apply to managing debt on meters with no WAN under the DCC. While top-ups can be created, adding or removing debt from meters would require direct access. The same lack of functionality would impact our ability to reduce recovery rates on debt to assist customers in temporary financial difficulties, or indeed, to manage green deal contracts. Both of which can be managed without difficulty in most cases with the current systems.

Section 2 – Utilita response to consultation questions

- 1) **Do you agree with the minded to position to set a de-minimis obligation for all large suppliers to install, commission and enrol 1,500 SMETS 2 meters or 0.025% of total meter points (whichever is the lower) within six months of DCC Live? Please explain your rationale and provide evidence.**

Utilita does not believe that there is a requirement to place a de-minimis obligation on all large suppliers, or indeed any suppliers, to install particular types of metering within specified timescales.

We believe that the important point here is choice for suppliers and customers, which in turn will allow suppliers to offer differentiated products and the services to which consumers have become accustomed, whether this be SMETS1 or SMETS2. Suppliers will move willingly to SMETS 2 if the benefits are there. If there is not enough benefit in the technology as specified to support a competitive choice for the supplier or customer to move to them, then the DCC has failed. An obligation should not be imposed to install SMETS2 metering where this does not support the required functionality.

We do not believe that there is benefit to consumers in early rollout of SMETS2, where this can only be achieved by rolling out an inferior product. In particular, where the inferior product has been rushed to the market, with lower functionality than that previously enjoyed, and where it is not market ready. If a market for a product is created only through enforced use obligations, we do not believe that it is an efficient or competitive market choice, where a tested and functional alternative is available.

While we do not support enforcing a de-minimis position, if DECC makes the decision to adopt the approach, we would like to see inclusion of a 'whichever is lower' clause, so no-one is adversely affected. In addition, as we have stated above, we continue to have concerns that the enforced obligation approach will fail to prove the system is better than SMETS1. If this does prove to be the case, Utilita considers it would be wrong to enforce such an obligation on an ongoing basis. A robust process for post implementation review (and change in approach if required) should be in place to ensure that this is reviewed on a timely basis.

If the approach to enforce a de-minimis position is adopted, we support the view that this needs to be subject to the application of robust parameters agreed by stakeholders, and generally would agree with the parameters listed in the Energy-UK submission. However, we believe that these parameters should also include a requirement that the DCC supports all functionality supported by SMETS1 prepayment solutions.

2) Do you agree that given the importance of consumers continuing to receive smart metering benefits upon change of supplier, all suppliers should be Users at DCC Live plus 12 months? Please provide evidence to support your position.

Utilita believes that change of supplier works in SMETS1 without this. In fact we have stated clearly our concern that the DCC with SMETS2 will be a significant retrograde step for prepayment customers when compared with SMETS1 meters that are currently in the field working outside of the DCC. We do not believe that the consultation process to date has taken sufficient account of the prepayment specific issues which have been raised; there are several reasons why PP will not work in the way DCC has proposed. We have set out above our key concerns in this area, but would be happy to discuss further if this would be helpful.

The key issue here is the functionality provided by DCC especially with respect to prepayment meters. If DCC does not support required functionality already enjoyed by customers, then it is not appropriate to force use. Utilita wants to continue to provide the high level of smart services its customers already receive. This should not be prevented by a lack of functionality support in DCC.

Enforcement of this obligation on smaller suppliers means that the smaller supplier will have to have the full system set up and ready. This has the effect of mandating the full system whether or not it is an economic and efficient approach for smaller suppliers. It is also notable that the DCC has no obligation to support smaller suppliers currently. Their obligation is to support larger suppliers at DCC Live, we are concerned that this may result in an unfair prioritisation of support both at go-live and on an enduring basis.

The ordering system for HUBs that is being implemented by the DCC could lead to suppliers who wish to increase their rate of installs being restricted. This will most likely harm smaller suppliers whose rate of growth will be more volatile, in turn will make it more difficult to forecast the numbers of HUB required. This will leave suppliers unable to install smart meters for all of their customers as the DCC is more restrictive than the system we enjoy today. Utilita's core business model is to install smart meters for all of our customers. This is part of our principal terms and our best tariff is based on this assumption. This restriction, particularly if SMETS1 meters are end dated or capped, will act to unduly constrain Utilita, and will impact us adversely relative to our competitors rather than promoting effective competition between suppliers and would not be in the interests of consumers.

The suggestion of DCC Live plus 18 months for the introduction of a mandate (as one of the options) underlines the fact that if SMETS2 is better, innovation and competition will mean that

small suppliers will naturally try and get there quickly. Of course if this isn't the case then mandating smaller suppliers to use a poorer system will only be harmful to them as a business and the overall cost is more likely to be an amount that they cannot absorb in comparison to the larger suppliers. This will be bad for customers.

This mandate needs to take into account the need to use up existing stock. Suppliers cannot be forced to write off meters that have already been purchased.

- 3) **Do you agree that given the importance of consumers continuing to receive smart metering benefits upon change of supplier, all suppliers should be Users at DCC Live plus 12 months? Please provide evidence to support your position.**

Change of Supply within DCC will not operate as well as it does currently between suppliers today using SMETS1. For credit customers the change of supply in DCC works as required.

Smart meters will always benefit prepayment customers far more than credit customers, not least because prepayment customers interact with their meters more than credit customers.

The DCC's proposed change of supplier process has been created principally for credit customers, as much of DCC's processes have been. As we note in our introductory section, the specific needs of prepayment customers have not been sufficiently recognised in the process development; this is the reason that DCC in its current guise is poised to fail this group of customers who are often the most vulnerable.

In the current processes, the SMSO doesn't need to touch the meter, and the suppliers can switch meters in prepayment mode between suppliers.

In DCC Live world, this option is no longer available and would require the change of the meters to credit mode. The switch between suppliers then takes place in credit mode, following which the new supplier will apply the appropriate settings and returns the customer to prepayment mode. This may also result in the customer experiencing interruptions to the convenience of the prepayment service.

The processes outside DCC for prepayment change of supply work very well. All that is required to ensure that the benefits of smart metering continue after change of supply is to mandate that all suppliers to interact with SMSOs to ensure this aim is met.

- 4) **Do you agree that electricity DNOs should be mandated to be DCC Users from DCC Live? Please provide evidence to support your position.**

This is for DNOs to respond to. We would propose that DNOs become DCC Users once the DCC has proven to be fully functional, reliable and scalable in order to meet the consumer experience as currently being provided under SMETS1 and industry wide SMSO services, which includes Change of Supplier, Change of Tenancy etc. (Secure text – tweaked)

- 5) **Would a direction from the Secretary of State, focused on electricity DNOs only, to be ready for Interface Testing provide additional impetus to be ready for DCC Live?**

This question is for DNOs to respond to.

- 6) Please provide views on whether iDNOs should be mandated to become DCC Users from DCC Live plus 12 months. Please provide evidence to support your position

This is for iDNOs to respond to. We would propose that iDNOs become DCC Users once the DCC has proven to be fully functional, reliable and scalable in order to meet the consumer experience as currently being provided under SMETS1 and industry wide SMSO services, which includes Change of Supplier, Change of Tenancy etc.

- 7) Do you agree with the position not to mandate GTs and iGTs to become Users at the present time? Please provide evidence to support your position.

This is for GTs and iGTs to respond to. We would propose that GTs and iGTs become DCC Users once the DCC has proven to be fully functional, reliable and scalable in order to meet the consumer experience as currently being provided under SMETS1 and industry wide SMSO services, which includes Change of Supplier, Change of Tenancy etc.

- 8) Are there benefits that could be driven by imposing a DCC Mandate for GTs and iGTs before the end of rollout? Please provide evidence to support your position.

In respect of the 5 questions above - None of this is currently required to provide effective SMETS1 systems.

Benefits and basic services (paragraph 39)

The basic services outlined in para 39 (which include installation and commissioning of standard SMETS2 meters; retrieval of meter reading and billing data; and monitoring and managing of alerts) do not cover even the basic requirements for a prepayment customer.

As we have set out above, these processes risk at best interruption to the convenient and simple services enjoyed by our smart prepayment customers. The change of mode to transfer and other arrangements, we view as being potentially inconsistent with the intent of the supply licence, and continue to have concerns on the retrograde customer service experience that customers will receive.

- 9) Do you agree that 'Install and Leave' should be permitted where expected WAN coverage is not available; but only in cases where HAN is established? Please explain your rationale.

Again, SMETS1 systems are currently available in the market that allow an install process where no WAN is available but the meter can still be commissioned. This does not require the further visits to the customer's property that are proposed by the DCC and therefore protects against such a poor customer experience during potential installs.

Utilita is strongly of the view that the SMETS1 version of 'Install and Leave' should be available wherever no WAN coverage is available on an enduring basis.

Otherwise we will be in a situation where significant pockets across the country will be unable to enjoy the benefits of smart metering due to SMETS2 and the DCC. This is a clear step back from the current position and will only slow the smart meter roll out.

- 10) Do you think there are grounds for the Government enabling "proactive" Install and Leave and would your organisation use it as part of their rollout strategy? Please explain how you would mitigate the potential challenges to consumer experience

Please refer to our previous answers, we consider that this does not go far enough. We believe that there are grounds to enable proactive install and leave. As we have set out, significant benefits can be delivered without WAN. We adopt this approach now with a good level of success.

- 11) Do you agree that the Government's minded to position on 'Install and Leave' should apply to both SMETS1 and SMETS2 installations? Please provide views on specific issues you think the Government would need to consider in implementing this provisional policy position; and in particular whether there is a suitable period of time during which we would expect WAN coverage to become available, where this has not been available on installation.

Please refer to our previous answers, Utilita is strongly of the view that the SMETS1 approach should be available as an enduring solution.

- 12) Do you agree that the Government does not need to regulate to exclude operation of SMETS meters in PPM mode from the scope of its minded to policy position on 'Install and Leave'? Please explain your company's strategy for handling PPM where the WAN is not available at the point of installation.

As we have noted above, the DCC gives precedence to credit customers and does not adequately cater for the needs of prepayment customers, many of whom will be vulnerable.

If DCC had taken the opposite approach and created a process for prepayment customers this would have inherently catered for credit customers as well. It's a fundamental flaw in approach that Utilita have highlighted on many occasions. We have also previously presented data that show that installing without WAN will not be only a small number of cases as is assumed in the consultation.

All questions relating to the current policy of 'install and leave' will potentially lead to far more customers remaining on legacy meters and being barred from enjoying the benefits of smart metering than would be the case if SMETS1 is allowed to continue as a viable and competitive alternative.

Utilita believes that this will damage the entire reputation of the smart meter roll out, as well as leading to poor customer experiences, particularly for prepayment customers as energy suppliers will be forced to over promise and under deliver by this policy.

There is a real possibility that many customers who lives on a street full of other customers who already have SMETS1 installed will ask for a smart meter install only to be told they cannot have it as they are outside of a WAN coverage area.

- 13) Do you agree with the proposal to enact the New and Replacement Obligation in mid-2018?

Utilita does not agree with the proposal, but notes that the policy put forward effectively forces suppliers to do this anywhere there is no WAN on DCC coverage map already.

We consider that there are clear commercial incentives to install SMETS1 currently, which there is not with SMETS2 yet. Utilita would also appreciate clarity on transitional arrangements for SMETS1 stock, where SMETS1 is end dated or capped.

- 14) Do you agree with the proposal to set a SMETS1 end date of DCC Live plus 12 months? Please provide evidence for your answer.

Utilita does not agree with the proposal to set a SMETS1 end date.

However, if the policy is enforced, the SMETS1 end date should only be applied where there is clear evidence that SMETS2 can show an improvement in functionality and cost, as well as the benefits obtainable by customers and suppliers over SMETS1.

Currently this is not the case and a retrograde step that affects customers risks the general efficacy and acceptability of the scheme.

The document suggests customers with SMETS1 may find it easier to retain functionality when switching suppliers. As we have set out above, this is not true in the case of meters operating in prepayment mode, especially in no WAN situations. Utilita therefore believes that both options should be available on an ongoing basis.

- 15) What are the advantages and disadvantages of a SMETS1 'cap' on individual suppliers both in combination with an End Date and as the sole means that SMETS1 meter installations are regulated? How could such regulation best be designed? Please provide evidence for your answer.

Utilita does not agree with the proposal to set a SMETS1 cap, whether or not in combination with a SMETS1 end date.

However, if the policy is enforced, it should only be applied where there is clear evidence that SMETS2 can show an improvement in functionality and cost, as well as the benefits obtainable by customers and suppliers over SMETS1.

As stated earlier, we do not believe a SMETS1 'cap' of any kind would lead to a successful smart meter roll out. Utilita fully support a smart meter roll out and believe that this can be achieved cost effectively and competitively, with correct technology and approach. Suppliers will naturally migrate away from SMETS1 if DCC and SMETS2 achieve this. Enforcing a backwards step in smart metering does not seem sensible, and will slow down the delivery of smart benefits to vulnerable and low income homes.