

UTILITY FUNDING LIMITED

Tuesday, 28 April 2015

Smart Metering Implementation Programme
Policy and Consumers Team
Department of Energy and Climate Change
Orchard 3, LG Floor
1 Victoria Street
London
SW1H 0ET

Dear Sirs,

RE: Consultation Response: Smart Metering Rollout Strategy – URN 15D/137

Utility Funding is an independent Meter Asset Provider focused solely on the provision of advanced and smart meters and does not own any legacy meters.

Utility Funding strongly supports the aims and objectives of the Smart Metering Programme and comments on the roll out strategy should be seen in this context.

Utility Funding Limited responses are as follows:

Chapter 3 – Driving SMETS2 installations

1. Do you agree with the minded too position to set a de-minimus obligation for all large suppliers to install, commission and enroll 1,500 SMETS2 meters or 0.025% of the total meter points (whichever is the lower) within six months of DCC live? Please explain your rationale and provide evidence.

We agree with the minded position to set a de-minimus obligation for all large suppliers and agree with the obligation being expressed as the lower of an absolute number or the number of meters representing a stated percentage of the total number of meter points supplied. Whilst the intention is to create a floor the de-minimus level appears a little low, as 0.025% of the total number of domestic meter points of circa 46.5 million is 11,625 meter points and 9 large suppliers x 1,500 meter points = 13,500 meter points. After six months of DCC operations it might be reasonable to expect a minimum of nearly 50,000 SMETS 2 meters to be installed, or 0.1% of the total number of meter points, to act as a reasonable scale test of DCC live operations. Further, if the majority of these SMETS 2 meter installations were undertaken at dual fuel sites this might represent as few 25,000 premises. Further, increasing the de-minimus number would assist in achieving some spread both geographically and in a reasonable representation of each meter manufacturer model.

Chapter 4 – Mandating parties to become DCC Users

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.

We agree that all suppliers should be Users at DCC Live plus 6 months. Given the proposed de-minimus obligation, large suppliers realistically would need to be Users at DCC Live. We share your recognition of the additional challenges that some small suppliers face and believe that an additional six months provides reasonable additional time. The challenges of becoming a DCC User will not diminish over time and the risks to the Smart Programme of frustrating consumers upon change of

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supplier (churn) are very significant. The evidence of such frustration is clear in both the advanced metering market and the SMETS 1 metering market where the lack of interoperability and interchangeability causes consumers, suppliers and their agents' considerable concern and has already received some press coverage.

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.

Question 3 is a duplicate of question 2 with the same answer

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

We agree that electricity DNOs should be mandated to be DCC Users from DCC Live because it is very important that early stage SMETS 2 meter installations are fully supported to ensure the best possible consumer experience. The evidence of the advanced and SMETS1 metering markets referred to in answer to question 2 supports the mandating of DNOs to be DCC Users from DCC Live.

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?

Yes, we agree that a direction from the Secretary of State, focused on electricity DNOs only, to be ready for Interface Testing would provide additional impetus to be ready for DCC Live.

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.

We agree with the view that further evidence is needed but on the general principle of providing consumers network benefits iDNOs should be mandated to become DCC Users from DCC Live plus 12 months.

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.

We see no reason to differ from the view expressed in paragraph 38 of the consultation.

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

On the general principle of ensuring a consistent consumer experience from smart metering there could well be merit in mandating GTs and iGTs to become Users of the DCC.

Chapter 5 – Delivering consumer benefits in an efficient rollout – ‘Install and Leave’

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.

We agree that “Install and Leave” should be permitted where WAN coverage is not available for a period not exceeding, say 120 days, and provided a HAN is established. The consumer should be made aware that WAN coverage is temporarily unavailable and will be established within 120 days along with the full smart service

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

We do not think there are grounds to enable “proactive” Install and Leave”. If there is no reasonable prospect of a WAN being available in a period of up to 120 days then there is no merit in selling the smart meter experience when it cannot be delivered to the consumer.

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.

Whilst we are minded to agree with the Government’s position on “Install and Leave” applying to both SMETS1 and SMETS2 installations, we question the wisdom of pursuing a SMETS1 installation when there is no WAN available. Why would an energy supplier wish to install a SMETS1 meter and what benefit would there be to the consumer? We believe there is no reason for a supplier to install and very little benefit to the consumer and the potential to cause consumer frustration upon churn / customer switching supplier. A more effective strategy is to wait until there is WAN coverage and install a SMETS2 meter when DCC is live.

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.

We agree that the Government does not need to regulate to exclude operation of SMETS meters in PPM mode from the scope of its minded policy position on “Install and Leave”. We would discourage the installation of SMETS meters in PPM mode where there is no WAN coverage

Chapter 6 – The New and Replacement Obligation

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

We agree with the proposal to enact the New and Replacement Obligation in mid-2018. However, the Government needs to be aware that this New and Replacement Obligation will automatically terminate the life and value of any SMETS1 meter that becomes faulty and is capable of repair or remains in stock. Whilst, clearly there is benefit particularly to consumers in SMETS2 meters being deployed, there is a danger that recently installed SMETS1 meters will be replaced by SMETS2 meters before the end of the useful life of the SMETS1 meters. The early replacement costs of SMETS1 meters will ultimately be borne by the consumer and the Government may care to consider a variation to the License conditions that discourages the removal of SMETS1 meters that are satisfactorily working, and permits the exchange of SMETS1 meters whilst stocks remain available.

Chapter 7 – SMETS 1

7.1 Managing SMETS 1 Installations

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.

We agree with the proposal to set a SMETS1 End date of DCC Live plus 12 months and agree that it strikes the right balance between ensuring the DCC is stable, providing a transition period to utilize stocks of SMETS1 meters and moving to the enduring SMETS 2 solution.

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15. What are the advantages and disadvantages of SMETS 1 'cap' on individual suppliers both in combination with an End Date and as the sole means that SMETS 1 meter installations are regulated? How could such a regulation best be designed? Please provide evidence for your answer.

We believe that the introduction of a SMETS1 cap on individual suppliers would not necessarily be helpful when an End Date for SMETS1 installations is to be set. The fact that the question has been raised is evidence of the concern of the "SMETS1 problem" of lack of interoperability and inter-changeability and the resulting poor consumer experience especially when a consumer wishes to switch supplier. Although there are some notable exceptions most suppliers appear cautious in their rollout of SMETS1 meters and such a cap would only reinforce that. DECC's resources would be better deployed in ensuring that the industry is reassured that SMETS1 meters will be enrolled and adopted by the DCC in some form within a reasonable timescale. Failure to do so will result in SMETS1 meters being removed early in their useful lives and the resulting greater cost will be borne by consumers.

7.2 SMETS1 Enrolment and Adoption

Although there are no specific questions in relation to SMETS 1 Enrolment and Adoption it is worth commenting on the importance of this to the industry.

The Secretary of State is to be commended for initiating the IEPFR process and the proposed variations to improve the overall efficiency of the process.

Whilst we believe the industry in general understands the need to prioritize the development and implementation of DCC systems to enable the enrolment of SMETS2 meters, there remain many who are baffled by the DECC strategy in relation to SMETS 1 metering. It is interesting to note the absence of any comment within section 7.2 of the poor consumer experience delivered to consumers who wish to switch supplier, due to the lack of interoperability and inter-changeability of SMETS1 meters between suppliers. There are no practical or economic solutions to providing SMSO services for SMETS1 meters on change of supplier. Suppliers, understandably, are not going to invest in new systems and amendments to their current processes for a relatively small number of meters for a period of 18 months or so until they can install SMETS2 meters. However, they are continuing with DECC's encouragement to install SMETS1 meters and the delay to DCC Live means that there will be a greater population of SMETS1 meters and consumers who are experiencing them. When these consumers, again with the encouragement of DECC and OFGEM, switch supplier they will experience a disappointing level of smart service. Such disappointed consumers may not be helpful to encouraging a positive view of mass rollout.

A failure by DECC and the DCC to provide a satisfactory route to the enrolment and adoption of SMETS1 meters will lead to suppliers removing them in favour of SMETS2 meters, disrupting the consumers with a new meter installation and incurring significant and unnecessary costs which will be borne by the consumer.

So we are pleased that SMETS 1 Enrolment and Adoption has come up the agenda and hope that it will now be dealt with in a timely manner.

We hope that the responses provided above are helpful.

Yours faithfully

Director